



SILVER KEY SENIOR SERVICES, INC.

AND

SILVER KEY SENIOR SERVICES FOUNDATION, INC.

CONSOLIDATING FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2020

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc. (a nonprofit organization), which comprise the consolidating statement of financial position as of June 30, 2020, and the related consolidating statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidating 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT-CONTINUED

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We previously audited Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc's June 30, 2019 financial statements. In our report, dated December 31, 2019, we expressed an unmodified audit opinion on those consolidated audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE**, on our consideration of Silver Key Senior Services, Inc.'s and Silver Key Senior Services Foundation, Inc.'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 solely 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 the effectiveness of Silver Key Senior Services, Inc.'s and Silver Key Senior Services Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Silver Key Senior Services, Inc.'s and Silver Key Senior Services Foundation, Inc.'s internal control over financial reporting and compliance.

Colorado Springs, Colorado

DATE

SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
With Comparative Totals for 2019

	Silver Key			Foundation					
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	2020	2019
Revenue and Support									
Contributions and Grants	\$ 1,296,844	\$ 261,770	\$ 1,558,614	\$ -	\$ -	\$ -	\$ -	\$ 1,558,614	\$ 1,260,982
Capital Campaign	-	-	-	-	-	-	-	-	336,244
Contributions from Foundation	390,839	-	390,839	-	-	-	(319,789)	71,050	-
Contract Services	3,555,913	-	3,555,913	-	-	-	-	3,555,913	2,169,504
Program Service Fees	472,673	-	472,673	-	-	-	-	472,673	618,855
Investment Income, Net	159,040	-	159,040	-	-	-	-	90,428	403,512
In-kind Contributions	1,261,004	-	1,261,004	-	(68,612)	(68,612)	-	1,261,004	1,157,543
Change in Value of Beneficial Interest in Charitable Trusts	-	(145,645)	(145,645)	-	-	-	-	(145,645)	8,716
Other Income	149,361	-	149,361	-	-	-	725	150,086	294,588
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-	-
Satisfaction of Purpose Restrictions	427,713	(427,713)	-	306,709	(306,709)	-	-	-	-
Total Revenue and Support	7,713,387	(311,588)	7,401,799	306,709	(375,321)	(68,612)	(319,064)	7,014,123	6,249,944
Expenses									
Program Services:									
Transportation	1,143,908	-	1,143,908	-	-	-	-	1,143,908	1,193,851
Nutrition	1,835,901	-	1,835,901	-	-	-	-	1,835,901	2,012,527
Health & Wellness	2,272,658	-	2,272,658	-	-	-	-	2,272,658	2,127,515
Thrift Store	275,600	-	275,600	-	-	-	-	275,600	268,089
Contributions to Silver Key	-	-	-	319,789	-	319,789	(319,789)	-	-
Total Program Services	5,528,067	-	5,528,067	319,789	-	319,789	(319,789)	5,528,067	5,601,982
Supporting Services:									
General and Administrative	624,820	-	624,820	-	-	-	-	624,820	548,122
Fundraising	388,643	-	388,643	-	-	-	-	388,643	417,397
Total Supporting Services	1,013,463	-	1,013,463	-	-	-	-	1,013,463	965,519
Total Expenses	6,541,530	-	6,541,530	319,789	-	319,789	(319,789)	6,541,530	6,567,501
Change in Net Assets	1,171,857	(311,588)	860,269	(13,080)	(375,321)	(388,401)	725	472,593	(317,557)
Net Assets at Beginning of Year	6,216,291	4,737,666	10,953,957	15,000	6,971,967	6,986,967	47,296	17,988,220	18,305,777
Net Assets at End of Year	\$ 7,388,148	\$ 4,426,078	\$ 11,814,226	\$ 1,920	\$ 6,596,646	\$ 6,598,566	\$ 48,021	\$ 18,460,813	\$ 17,988,220

See Notes to Consolidating Financial Statements

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
With Comparative Totals for 2019**

	Program Services				Supporting Services					
	Transportation	Nutrition	Health & Wellness	Thrift Store	Total	Administrative	Fundraising	Total	2020	2019
Silver Key										
Salaries	\$ 490,975	\$ 622,052	\$ 597,301	\$ 68,267	\$ 1,778,595	\$ 281,533	\$ 210,932	\$ 492,465	\$ 2,271,060	\$ 2,231,178
Payroll Taxes and Fees	55,521	67,711	54,741	7,165	185,138	26,050	18,231	44,281	229,419	219,214
Fringe Benefits	65,842	76,945	80,457	11,030	234,274	29,512	28,974	58,486	292,760	257,882
Total Personnel Costs	612,338	766,708	732,499	86,462	2,198,007	337,095	258,137	595,232	2,793,239	2,708,274
Client Assistance	24,910	1,401	1,196,814	104,675	1,327,800	-	-	-	1,327,800	1,256,960
Food and Packaging	-	601,117	11,695	-	612,812	-	-	-	612,812	753,537
Depreciation and Amortization	154,712	196,814	96,134	31,771	479,431	82,488	15,044	97,532	576,963	569,716
Vehicle Related Expenses	197,830	34,969	3,094	306	236,199	1,019	196	1,215	237,414	290,605
Occupancy	35,982	103,068	106,866	35,758	281,674	94,068	14,978	109,046	390,720	357,321
Professional Fees	32,048	37,623	33,286	3,781	106,738	56,860	11,995	68,855	175,593	192,408
Dues and Subscriptions	47,416	17,628	14,193	640	79,877	19,347	10,622	29,969	109,846	105,038
Public Relations and Marketing	10,845	24,520	21,966	5,426	62,757	6,395	43,767	50,162	112,919	151,232
Insurance	7,443	8,629	12,189	601	28,862	4,083	1,443	5,526	34,388	35,808
Printing, Copying and Postage	2,071	7,507	4,781	725	15,084	5,816	11,774	17,590	32,674	35,695
Interest	1,801	3,204	3,875	1,032	9,912	2,555	551	3,106	13,018	17,876
Meetings, Travel and Training	4,035	6,700	8,957	158	19,850	6,167	8,617	14,784	34,634	33,830
Recognition and Volunteers	4,905	8,399	5,451	500	19,255	2,296	1,804	4,100	23,355	22,488
Equipment and Office Supplies	4,664	10,581	19,439	1,429	36,113	4,231	4,062	8,293	44,406	19,925
Bank and Credit Card Fees	1,026	1,550	15	2,289	4,880	2,052	3,516	5,568	10,448	6,190
Miscellaneous	1,882	5,483	1,404	47	8,816	348	2,137	2,485	11,301	10,598
Total Expenses	1,143,908	1,835,901	2,272,658	275,600	5,528,067	624,820	388,643	1,013,463	6,541,530	6,567,501
Foundation										
Contributions to Silver Key	-	-	-	-	319,789	-	-	-	319,789	329,868
Eliminations	-	-	-	-	(319,789)	-	-	-	(319,789)	(329,868)
Total Expense - 2020	\$ 1,143,908	\$ 1,835,901	\$ 2,272,658	\$ 275,600	\$ 5,528,067	\$ 624,820	\$ 388,643	\$ 1,013,463	\$ 6,541,530	
Percent of Total - 2020	18%	28%	35%	4%	85%	9%	6%	15%	100%	
Total Expense - 2019	\$ 1,193,851	\$ 2,012,527	\$ 2,127,515	\$ 268,089	\$ 5,601,982	\$ 548,122	\$ 417,397	\$ 965,519	\$ 6,567,501	
Percent of Total - 2019	18%	31%	32%	4%	85%	8%	7%	15%	100%	

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
With Comparative Totals for 2019**

	<u>Silver Key</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>2020</u>	<u>2019</u>
Cash Flows from Operations					
Change in Net Assets	\$ 860,994	\$ (388,401)	\$ -	\$ 472,593	\$ (317,557)
Adjustments to Arrive at Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	576,963	-	-	576,963	569,716
(Gain) Loss on Disposal of Property and Equipment	(3,614)	-	-	(3,614)	8,855
Change in Beneficial Interest in Charitable Trusts	145,645	-	-	145,645	(8,716)
Net Realized and Unrealized Loss on Investments	34,441	268,122	-	302,563	13,294
Contribution of Stock	(156,481)	-	-	(156,481)	(10,203)
Decrease (Increase) in Operating Assets:					
Accounts Receivable, Net	159,621	-	-	159,621	(91,052)
Bequests Receivable	186,784	-	-	186,784	(156,784)
Pledges Receivable - Related Party, Net	5,340	-	-	5,340	5,412
Due from Related Party	(78,148)	-	78,148	-	-
Other Current Assets	2,214	-	-	2,214	61,572
Other Assets	17,419	-	-	17,419	23,921
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	26,824	(1,853)	-	24,971	26,266
Accrued Liabilities	13,006	-	-	13,006	(14,395)
Deferred Revenue	121,245	-	-	121,245	(39,500)
Due to Silver Key	-	78,148	(78,148)	-	-
Net Cash Provided (Used) by Operations	<u>1,912,253</u>	<u>(43,984)</u>	<u>-</u>	<u>1,868,269</u>	<u>70,829</u>
Cash Flows from Investing Activities					
Purchase of Property and Equipment	(646,968)	-	-	(646,968)	(447,301)
Proceeds of Disposition of Property and Equipment	13,197	-	-	13,197	-
Proceeds from Sale of Investments	157,116	243,475	-	400,591	339,835
Purchase of Investments	(34,825)	(199,491)	-	(234,316)	(271,885)
Net Cash (Used) Provided by Investing Activities	<u>(511,480)</u>	<u>43,984</u>	<u>-</u>	<u>(467,496)</u>	<u>(379,351)</u>
Cash Flows from Financing Activities					
Repayment of Line of Credit	(420,000)	-	-	(420,000)	-
Proceeds from Line of Credit	-	-	-	-	420,000
Payments on Note Payable	(17,593)	-	-	(17,593)	(413,292)
Net Cash (Used) Provided by Financing Activities	<u>(437,593)</u>	<u>-</u>	<u>-</u>	<u>(437,593)</u>	<u>6,708</u>
Net Change in Cash and Cash Equivalents	963,180	-	-	963,180	(301,814)
Beginning Cash and Cash Equivalents	123,535	-	-	123,535	425,349
Ending Cash and Cash Equivalents	<u>\$ 1,086,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,086,715</u>	<u>\$ 123,535</u>

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**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

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SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES

	<u>Silver Key</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>2020</u>	<u>2019</u>
Cash Paid for Interest	\$ 13,018	\$ -	\$ -	\$ 13,018	\$ 17,876
In-kind Contributions	<u>\$ 1,261,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,261,004</u>	<u>\$ 1,157,543</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significance accounting policies of Silver Key Senior Services, Inc. Silver Key Senior Services, Inc. is presented to assist in understanding the financial statements.

Nature of Activities – Silver Key Senior Services, Inc. ("Silver Key") is a nonprofit organization formed in 1970 dedicated to serving seniors 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 challenges of aging, and preserving the dignity and self-respect of older adults.

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's mission is to serve in partnership with our stakeholders to support a healthy quality of life for seniors, allowing them to age safely with dignity and independence. This is done so that the value, worth and needs of all seniors are identified and honored.

Silver Key Home Delivered Meals, including Meals on Wheels - Freshly prepared meals are conveniently brought to Silver Key clients at their home by friendly volunteers 3 or 5 days a week, with re-heatable meals available for the weekend.* Senior clients, caregivers or family members can arrange for and benefit from Silver Key's delivered meals programs. This nutritious and affordable meal delivery service is especially valuable for caregivers or family members who may be working, living out of town or unable to be there for their senior loved ones every day. Silver Key is the area's Meals on Wheels provider, made possible through funding support from grants and community donations. With healthy food seven days a week, aging in place has never been easier! During the year ended June 30, 2020, Silver Key provided a total of 39,121 delivered meals through both programs. *Frozen meals have been prepared and packaged for delivery since COVID-19 safety protocols were instituted, effective March 2020.

Silver Key Connections Café – Silver Key provides food, friendship, and fun for anyone at fourteen Silver Key Connections Café sites throughout the community, including one in Woodland Park.* Visitors over 60 years in age are asked to pay \$5.50 per meal. Hot, healthy meals in a social setting plus monthly nutritional education information help keep older adults engaged. During the year ended June 30, 2020, Silver Key provided 104,174 meals. *Since March 2020, all Silver Key Connections Café sites have been closed due to COVID-19 safety protocols. Meals are being prepared, packaged and frozen for weekly distribution to Connection Café diners.

Silver Key Reserve & Ride - Silver Key provides arm-through-arm, door to door ADA accessible transportation for medical appointments, shopping, group meals, social activities, and recreation trips. Reserve & Ride transportation accommodates wheelchairs, walkers, those needing a lift device, oxygen, and other special needs. Any senior, living in the Pikes Peak region, and registered with Silver Key's Reserve & Ride program can use this service to remain active and independent. During the year ended June 30, 2020, Silver Key provided 28,675 rides.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Silver Key Health & Wellness (formerly Senior Assistance) - Silver Key's experienced Case Management and Behavioral Health team assists seniors and their families as they navigate the aging process. Holistic assessments are completed with each client served, to identify and resolve barriers to their continued independence and safety. Silver Key provides assistance with rent, utilities, medical expenses, benefit applications, food, transportation, and budget coaching. Services are coordinated with many different agencies in El Paso County and are targeted to help seniors achieve stability and maintain independence. During the year ended June 30, 2020, Silver Key Case Managers served 2,083 clients and the information and referral helpline, renamed the Silver Line, received over 25,261 calls.

Other Senior Assistance services include:

Guardianship and Power of Attorney Services are for seniors who need someone to act on their behalf with medical decisions. Silver Key serves as Guardian by court appointment for seniors, whom the court has deemed unable to make safe decisions, providing comprehensive, personalized care management services and advocacy. During the year ended June 30, 2020, Silver Key provided Guardianship care for 33 clients.

Silver Key Food Pantry distributes food assistance to help seniors stretch their nutrition dollars by supplementing their diets with a variety of foods. Seniors who qualify for federal assistance with groceries each month are assisted through the CSFP (Commodity Supplemental Food Program) and TEFAP (The Emergency Food Assistance Program). Foundation grants and donations also supplement the food items distributed through the Food Pantry. Silver Key also provides food and assistance in a temporary emergency situation. Silver Key's Food Pantry is the largest of its kind in southern Colorado. Since March 2020 due to COVID-19 Stay at Home/Safer at Home restrictions, Silver Key has developed new systems for distribution Food Pantry items: express lane curbside picking and home deliver utilizing our Reserve & Ride drivers and fleet. During the year ended June 30, 2020, Silver Key provided 23,658 boxes of food to seniors in the community.

Silver Key Senior Outreach Services (SOS) is a collaborative program in which Silver Key and UCCS Aging Center identify seniors who could benefit from mental health services and connect them with the appropriate resources. The public is encouraged to help identify older adults who may need emotional or other support and/or a connection to community resources. During the year ended June 30, 2020, Silver Key provided clients 655 contracts with SOS services.

Silver Key Friends Thrift Store - Community donations and purchases of gently used items, at the Silver Key Friends Thrift Store, support Silver Key's mission. The store also features a specialty Home Medical Equipment Department for clean, used wheelchairs, canes, and other mobility aids. Silver Key provides vouchers for the Silver Key Friends Thrift Store through Senior Assistance. During the year ended June 30, 2020, Silver Key Friends Thrift Store sales were \$102,041.

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 interorganizational transactions are eliminated to present the consolidated total amounts.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations at management's discretion and investment in property and equipment; donor restricted net assets that are temporary in nature, which represent resources restricted by donors as to purpose or by the passage of time; and donor restricted net assets that are perpetual in nature, 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.

Cash and Cash Equivalents – For purposes of the consolidating statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents held in the Foundation are retained for long term purposes and are classified as investments.

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.

Investments – Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidating statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in net assets without restrictions 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. Short-term investments consist of securities, mutual funds, and bonds with original maturities of twelve months or less.

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 establishes an allowance for doubtful accounts, as required. Accounts receivable are anticipated to be received within a year.

Contributions and Pledges Receivable – Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the pledges are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management analysis of specific pledges made.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment – The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with restrictions to net assets without restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to thirty-nine years.

Silver Key participates in the Colorado Department of Transportation ("CDOT") program to provide transportation services to older adults. In total, Silver Key has 24 vehicles in service under this program with a cost of \$1,082,058 and accumulated depreciation of \$686,525 as of June 30, 2020.

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 – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 year ended June 30, 2020 consist of the following:

Food	\$ 1,087,185
Thrift Store Items	105,873
Holiday Project	4,349
Advertising	8,900
Professional Fees	21,492
Other	33,205
	<u>\$ 1,261,004</u>

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.

Silver Key relies on hundreds of volunteers each month to expand their ability to support and serve clients while providing companionship and social support that is at the core of all services. Volunteers numbering 558 provided 54,085 hours of donated services for the year ended June 30, 2020, with a value of \$1,375,381 – the equivalent of 26 full time equivalent employees. These volunteer hours were not recognized in the accompanying consolidating financial statements because they did not meet the criteria for recognition under current US GAAP.

Contributions – Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

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 year ended June 30, 2020, 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).

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 year ended June 30, 2020. The Organization's informational tax returns are subject to examination by taxing authorities for a period of three years from the date it is filed. As of June 30, 2020, the informational tax returns for the three prior years are considered open for Internal Revenue Service examination.

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

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 year ended June 30, 2020, the Organization received approximately 32% of its total support and revenue from the Pikes Peak Area Council of Government ("PPACG"). As of June 30, 2020, the Organization had approximately 79% of its accounts receivable balance due from the PPACG.

Comparative Financial Information – The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended **June 30, 2019**, from which the summarized information was derived.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

New Accounting Pronouncement – In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional and, as a result, it enhances the comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis. There was no cumulative-effect adjustment to opening net assets with or without donor restrictions.

In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842). This update defers, for one year, the required effective date of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and ASU 2016-02, Leases (Topic 842). The elective deferrals were adopted and implementation of accounting standards updates for revenue recognition and leases will be deferred one year.

NOTE 1 – AVAILABILITY AND LIQUIDITY

The Organization has \$1,555,532 of financial assets available within one year of the balance sheet date. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The receivables are subject to time restrictions but will be collected within one year.

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses, approximately \$1.1 million. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. The Organization has a \$750,000 line of credit available to meet cash flow needs.

The following reflects the Organization's financial assets as of June 30, 2020, reduced by amounts not available to meet general expenditures within one year of the statement of financial position date because of internal board designations, contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include a board-designated operating reserve not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

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

NOTE 1 – AVAILABILITY AND LIQUIDITY - Continued

Financial Assets at Year End:

Cash and Cash Equivalents	\$ 1,086,715
Accounts Receivable	408,547
Pledges Receivable - Related Party, Net	600
Trusts Receivable (Other Assets)	14,288
Foundation Investments	6,755,128
Board Designated Investments Operating Reserve	1,128,362
Beneficial Interest in Charitable Trusts	4,299,898
Total Financial Assets	13,693,538

Less Amounts Not Available to be Used Within One Year:

Net Assets with Donor Restrictions	11,022,724
Board Designated Net Assets Without Donor Restrictions	1,128,362
	12,151,086

**Financial Assets Available to Meet General Expenditures
over the Next Twelve Months**

\$ 1,542,452

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consist of:

Accounts Receivable	\$ 409,207
Less Allowance for Doubtful Accounts	(660)
Net Accounts Receivable	\$ 408,547

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

NOTE 3 - INVESTMENTS

Investments are made in accordance with the Organization's investment policy and consist of the following at June 30, 2020:

	<u>Silver Key</u>	<u>Foundation</u>	<u>Total</u>
Cash and Equivalents	\$ 12,822	\$ 240,054	\$ 252,876
Stock	212,592	1,030,586	1,243,178
Exchange Traded Funds	142,139	1,123,328	1,265,467
Mutual Funds	606,754	3,316,354	3,923,108
Corporate Bonds	148,884	1,016,367	1,165,251
Other	5,171	28,439	33,610
	<u>\$ 1,128,362</u>	<u>\$ 6,755,128</u>	<u>\$ 7,883,490</u>

For the year ended June 30, 2020, investment income is summarized as follows:

	<u>Silver Key</u>	<u>Foundation</u>
Interest Income Earned on Cash at Financial Institutions and Other Interest Income	\$ 107	\$ 19
Interest and Dividend Income and Investments	40,986	241,477
Net Realized and Unrealized Loss on Investments	(34,441)	(268,122)
Investment Income from Beneficial Interest in Charitable Trusts	158,549	-
Investment fees	(6,161)	(41,986)
	<u>\$ 159,040</u>	<u>\$ (68,612)</u>

NOTE 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 \$4,285,610 as of June 30, 2020.

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.

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

NOTE 4 - BENEFICIAL INTEREST IN CHARITABLE TRUSTS - Continued

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 \$232,504 as of June 30, 2020.

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 \$94,917 as of June 30, 2020.

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 \$8,473 as of June 30, 2020.

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 \$167,455 as of June 30, 2020.

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 35% 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 \$474,173 as of June 30, 2020.

Silver Key received \$158,549 of investment income from these trusts for the year ended June 30, 2020.

NOTE 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.

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

NOTE 5 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES – Continued

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, 2020.

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, REIT's, 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.

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

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

NOTE 5 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES – Continued

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, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Silver Key				
Cash and Equivalents	\$ 12,822	\$ 12,822	\$ -	\$ -
Stocks	212,592	212,592	-	-
Exchange Traded Funds	142,139	142,139	-	-
Mutual Funds	606,754	606,754	-	-
Corporate Bonds	148,884	-	148,884	-
Other	5,171	-	5,171	-
Beneficial Interest in Charitable Trusts	4,285,610	-	4,285,610	-
Total	<u>\$ 5,413,972</u>	<u>\$ 974,307</u>	<u>\$ 4,439,665</u>	<u>\$ -</u>
Foundation				
Cash and Equivalents	\$ 240,054	\$ 240,054	\$ -	\$ -
Stocks	1,030,586	1,030,586	-	-
Exchange Traded Funds	1,123,328	1,123,328	-	-
Mutual Funds	3,316,354	3,316,354	-	-
Corporate Bonds	1,016,367	-	1,016,367	-
Other	28,439	-	28,439	-
Total	<u>\$ 6,755,128</u>	<u>\$ 5,710,322</u>	<u>\$ 1,044,806</u>	<u>\$ -</u>
Silver Key and Foundation Totals				
Cash and Equivalents	\$ 252,876	\$ 252,876	\$ -	\$ -
Stocks	1,243,178	1,243,178	-	-
Exchange Traded Funds	1,265,467	1,265,467	-	-
Mutual Funds	3,923,108	3,923,108	-	-
Corporate Bonds	1,165,251	-	1,165,251	-
Other	33,610	-	33,610	-
Beneficial Interest in Charitable Trusts	4,285,610	-	4,285,610	-
Total	<u>\$ 12,169,100</u>	<u>\$ 6,684,629</u>	<u>\$ 5,484,471</u>	<u>\$ -</u>

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

NOTE 6 - PROPERTY AND EQUIPMENT

Silver Key's property and equipment consists of the following as of June 30, 2020:

Land	\$ 716,799
Building and Improvements	4,562,487
Construction in Progress	218,975
Vehicles	1,472,369
Office and Other Equipment	1,116,639
	<u>8,087,269</u>
Less Accumulated Depreciation	<u>(2,620,308)</u>
	<u>\$ 5,466,961</u>

Depreciation and amortization expense for the year ended June 30, 2020, totaled \$576,963.

NOTE 7 - LINE OF CREDIT

On April 15, 2020, Silver Key entered into a line of credit agreement with a local credit union in the amount of \$750,000. The line of credit is secured by substantially all assets, except any real estate, held by Silver Key. Borrowings under the line of credit bear interest at 4.00% per annum. The line of credit matures on April 1, 2030. As of June 30, 2020, there was no outstanding balance on the line of credit.

NOTE 8 - NOTE PAYABLE

Silver Key has a note payable to a financial institution with a balance of \$257,422 as of June 30, 2020. The note bears a variable interest ranging from 3.125% to 4.500% per annum, is payable in monthly installments, is secured by real property and assignment of rents, and requires minimum liquidity of \$500,000. The note payable maturities are as follows:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 16,640	\$ 8,068	\$ 24,708
2022	17,186	7,522	24,708
2023	17,484	7,556	25,040
2024	17,618	8,086	25,704
2025	18,351	7,353	25,704
2026-2033	170,143	30,386	200,529
	<u>\$ 257,422</u>	<u>\$ 68,971</u>	<u>\$ 326,393</u>

Interest expense for the year ended June 30, 2020, totaled \$13,018.

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

NOTE 9 - BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

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 net assets without donor restrictions. The balances can be transferred to the undesignated portion of net assets without donor restrictions at the boards' discretion. As of June 30, 2020, Silver Key had \$1,128,362 of net assets without donor restrictions designated for operating reserve.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions that are temporary in nature consist of the following as of June 30, 2020:

	Silver Key	Foundation	Total
Beneficial Interest in Charitable Trusts	\$ 977,522	\$ -	\$ 977,522
Capital Campaign	600	-	600
Other	139,868	-	139,868
	\$ 1,117,990	\$ -	\$ 1,117,990

Net assets with donor restrictions that are perpetual in nature consist of the following as of June 30, 2020:

	Silver Key	Foundation	Total
Beneficial Interest in Charitable Trusts	\$ 3,308,088	\$ -	\$ 3,308,088
Endowment for Future Operations	-	3,780,758	3,780,758
Endowment for Emergency	-	2,815,888	2,815,888
	\$ 3,308,088	\$ 6,596,646	\$ 9,904,734

NOTE 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.

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

NOTE 11 - ENDOWMENT FUNDS - Continued

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 net assets with donor restrictions that are perpetual in nature (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.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are temporary in nature 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:

- The Duration and Preservation of the Fund
- The Purposes of the Organization and the Donor-Restricted Endowment Fund
- General Economic Conditions
- The Possible Effect of Inflation and Deflation
- The Expected Total Return from Income and the Appreciation of Investments
- Other Resources of the Organization
- The Investment Policies of the Organization

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

NOTE 11 - ENDOWMENT FUNDS - Continued

Endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Silver Key			
Board Designated Endowment	\$ 1,128,362	\$ -	\$ 1,128,362
Foundation			
Donor-restricted Endowment Funds	\$ -	\$ 6,596,646	\$ 6,596,646
Unrestricted Endowment Funds	1,920	-	1,920
	<u>\$ 1,920</u>	<u>\$ 6,596,646</u>	<u>\$ 6,598,566</u>
Total			
Board Designated Endowment	\$ 1,128,362	\$ -	\$ 1,128,362
Donor-restricted Endowment Funds	-	6,596,646	6,596,646
Unrestricted Endowment Funds	1,920	-	1,920
	<u>\$ 1,130,282</u>	<u>\$ 6,596,646</u>	<u>\$ 7,726,928</u>

**SILVER KEY SENIOR SERVICES, INC.
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NOTE 11 - ENDOWMENT FUNDS - Continued

Changes in endowment net assets for the year ended June 30, 2020, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Silver Key			
Board Designated			
Endowment Net Assets - Beginning of Period	\$ 1,128,613	\$ -	\$ 1,128,613
Investment Return:			
Investment Income	40,351	-	40,351
Net Appreciation (Realized and Unrealized)	(34,441)	-	(34,441)
Investment Fees	(6,161)	-	(6,161)
Total Investment Return	(251)	-	(251)
Contribution	156,481	-	156,481
Amounts Appropriated to Expenditures	(156,481)	-	(156,481)
	-	-	-
Endowment Net Assets - End of Period	<u>\$ 1,128,362</u>	<u>\$ -</u>	<u>\$ 1,128,362</u>
Foundation			
Endowment Net Assets - Beginning of Period	\$ 15,000	\$ 6,971,967	\$ 6,986,967
Investment Return:			
Investment Income	-	241,497	241,497
Net Appreciation (Realized and Unrealized)	-	(268,122)	(268,122)
Investment Fees	-	(41,987)	(41,987)
Total Investment Return	-	(68,612)	(68,612)
Amounts Appropriated to Expenditures	(13,080)	(306,709)	(319,789)
	(13,080)	(306,709)	(319,789)
Endowment Net Assets - End of Period	<u>\$ 1,920</u>	<u>\$ 6,596,646</u>	<u>\$ 6,598,566</u>

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.

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

NOTE 11 - ENDOWMENT FUNDS - Continued

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% of the endowment fund's monthly average market value over the preceding three years. The distributable income is paid quarterly.

NOTE 12 – ALLOCATION OF FUNCTIONAL EXPENSE

The financial statements report certain categories of expense that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

NOTE 13 – DONATED PROFESSIONAL SERVICES AND MATERIALS

The Organization received donated professional services and materials as follows during the year ended June 30, 2020:

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Professional Fees	\$ 16,170	\$ 4,579	\$ 1,042	\$ 21,791
Client Assistance	1,190,112	-	-	1,190,112
Vehicle Related Expenses	1,300	369	88	1,757
Public Relations and Marketing	18,770	1,758	26,816	47,344
	<u>\$ 1,226,352</u>	<u>\$ 6,706</u>	<u>\$ 27,946</u>	<u>\$ 1,261,004</u>

During the year ended June 30, 2020, the Organization received donated advertising space, valued at \$8,000, that met the requirements for recognition in the financial statements. The advertising space is included in professional fees and was largely used to support program marketing and special events.

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

NOTE 14 - COMMITMENTS

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 year ended June 30, 2020, the Organization made contributions to the Plan in the amount of \$43,146.

On August 30, 2019, Silver Key entered into a five-year software subscription. The subscription includes escalating annual fees ranging from \$24,016 to \$26,725.

NOTE 15 - 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:

<u>Years Ending June 30,</u>	<u>Minimum Payments</u>
2021	<u>\$ 133,244</u>

On April 3, 2019, the Organization signed a purchase option lease agreement for office equipment, covering a period of five years, from April 3, 2019, through March 31, 2024. According to the lease agreement, monthly rent is \$1,073.

Future minimum lease payments for the equipment lease are as follows:

<u>Years Ending June 30,</u>	<u>Minimum Payments</u>
2021	\$ 12,871
2022	12,871
2023	12,871
2024	9,653
Total	<u>\$ 48,266</u>

Lease expense for the year ended June 30, 2020, was approximately \$12,900.

NOTE 16 - RELATED PARTY TRANSACTIONS

As of June 30, 2020, Silver Key has a distribution receivable from the Foundation totaling \$156,562. During the year ended June 30, 2020, distributions from the Foundation to Silver Key totaled \$319,789. These balances and amounts are eliminated as a result of the consolidating of the two entities.

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

NOTE 16 - RELATED PARTY TRANSACTIONS - Continued

As of June 30, 2020, Silver Key has a net pledge receivable due from a related party in the amount of \$600.

As of June 30, 2020, Silver Key has a receivable due from a related for-profit corporation in the amount of \$49,850. This balance is eliminated as a result of the consolidating of the two entities.

For the year ended June 30, 2020, the Organization received contributions from board members and officers totaling \$42,190.

NOTE 17 – CONTINGENCY

During the year ended June 30, 2020, the Organization was aware of a lawsuit filed against the Organization. The Organization has retained legal counsel, but as of the financial statement date a potential liability relating to any outcome has not been estimated by management. The Organization has insurance that will cover any potential losses and the financial impact on the Organization would be limited to any deductibles.

The Organization may be adversely affected by health epidemics including the recent coronavirus outbreak. In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., have declared a state of emergency.

Potential impacts to the Organization include disruptions or restrictions on our employees' ability to work, travel restrictions imposed by governments, and an adverse effect on the economies could affect demand for our services or donor contributions. Any of the foregoing could harm the Organization and we cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact the Organization. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on the Organization, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through **DATE**, the date on which the consolidating financial statements were available to be issued.

Subsequent to the financial statement date, the Organization has not experienced any significant losses in revenue due to the COVID-19 pandemic (See NOTE 17 - CONTINGENCY). Increases in funding have been received to provide additional program services.

ADDITIONAL INFORMATION

DRAFT

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor / Program Title or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>From Direct Awards</u>	<u>From Pass- Through Awards</u>	<u>Total</u>
Department of Health and Human Services					
Passthrough from Pikes Peak Area Council of Governments Aging Cluster					
Special programs for the aging - Title III, part B, grants for supportive services and senior centers	93.044	SK1819	\$ -	\$ 36,674	\$ 36,674
Special programs for the aging - Title III, part C, nutrition services	93.045	SK1819	-	1,376,226	1,376,226
Nutrition services incentive program	93.053	SK1819	-	93,178	93,178
Total Aging Cluster			-	1,506,078	1,506,078
United States Department of Agriculture					
Passthrough from Care and Share Food Distribution (Noncash)					
Commodity Supplemental Food Program	10.565	n/a	-	289,539	289,539
The Emergency Food Assistance Program	10.569	n/a	-	540,779	540,779
Total United States Department of Food Distribution Cluster			-	830,318	830,318
Department of Housing and Urban Development					
El Paso County and City of Colorado Springs- Community Development Block Grants/Entitlement Grants	14.218		-	301,414	301,414
City of Colorado Springs Planning and Community Development Division	14.231		-	29,570	29,570
Total Department of Housing and Urban Development			-	330,984	330,984
Corporation for National and Community Service (CNCS)					
	94.017	18SDWCO002	-	38,341	38,341
Total CNCS			-	38,341	38,341
Total Expenditures of Federal Awards			\$ -	\$ 2,705,721	\$ 2,705,721

See notes to Schedule of Expenditures of Federal Awards

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

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 year ended June 30, 2020. 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.

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. The Organization has not elected to use the 10% de minimis indirect cost rate.

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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CERTIFIED PUBLIC ACCOUNTANTS

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**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***

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

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. (a nonprofit organization) (collectively the "Organization") which comprise the consolidating statement of financial position as of June 30, 2020, and the related consolidating statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidating financial statements, and have issued our report thereon dated September XX, 2020.

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) to determine audit 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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 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 performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Colorado Springs, Colorado

DATE

DRAFT

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Silver Key Senior Services, Inc.'s and Silver Key Senior Services Foundation, Inc.'s (collectively the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 year ended June 30, 2020.

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 over compliance* is a deficiency, or a 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 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 the 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.

Colorado Springs, Colorado
DATE

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	None Reported
Significant Deficiencies Identified?	None Reported
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control over Major Programs:	
Material Weakness(es) Identified?	None Reported
Significant Deficiencies Identified?	None Reported

Type of Auditors' Report Issued on Compliance for Major Programs:	Unmodified
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Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 2 CFR Section 200.516(a)?	No
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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
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Auditee Qualified as a Low-risk Auditee?	Yes
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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.