



SilverSource, Inc.

Financial Statements

February 28, 2019 and 2018

Independent Auditors' Report

Board of Directors **SilverSource, Inc.**

We have audited the accompanying financial statements of the SilverSource, Inc. (the "Foundation"), which comprise the statements of financial position as of February 28, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SilverSource, Inc. as of February 28, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Guidance

As discussed in Note 2 to the financial statements, during the year ended February 28, 2019, SilverSource, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

August 1, 2019

SilverSource, Inc.

Statements of Financial Position

	February 28	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 70,479	\$ 243,374
Investments	13,473,169	13,883,731
Grants receivable	65,872	18,640
Interest and dividends receivable	-	6,605
Prepaid expenses	23,113	2,556
Other assets	59,125	24,975
Property and equipment, net of accumulated depreciation	37,776	8,387
	\$ 13,729,534	\$ 14,188,268
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 48,278	\$ 34,488
Federal excise tax payable	195	25,075
Deferred federal excise tax	-	2,423
Deferred revenue	9,418	-
Total Liabilities	57,891	61,986
Net Assets Without Donor Restrictions		
Operations	127,703	44,241
Board-designated for property and equipment	37,776	8,387
Board-designated for capacity growth and fund development	33,596	181,903
Board-designated endowment	13,472,568	13,891,751
Total Net Assets Without Donor Restrictions	13,671,643	14,126,282
	\$ 13,729,534	\$ 14,188,268

See notes to financial statements

SilverSource, Inc.

Statements of Activities and Change in Net Assets

	Years Ended February 28,	
	2019	2018
PUBLIC SUPPORT AND REVENUE		
Public Support		
Contributions	\$ 174,591	\$ 85,897
Government grants	50,950	41,851
Special events, net of direct benefit costs of \$86,252 and \$83,716	96,612	56,760
Total Public Support	322,153	184,508
Revenue		
Investment income, net of investment expenses and federal excise tax expense	357,217	1,681,187
Other revenue	14,412	2,076
Total Revenue	371,629	1,683,263
Total Direct Support and Revenue	693,782	1,867,771
EXPENSES		
Program services	901,764	868,749
Management and general	134,696	96,221
Fundraising	111,961	108,149
Total Expenses	1,148,421	1,073,119
Change in Net Assets	(454,639)	794,652
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	14,126,282	13,331,630
End of year	\$ 13,671,643	\$ 14,126,282

See notes to financial statements

SilverSource, Inc.

Statements of Functional Expenses

	Year Ended February 28, 2019					Year Ended February 28, 2018				
	Program	Management		Direct	Total	Program	Management		Direct	Total
	Services	and General	Fundraising	Benefit Costs		Program	and General	Fundraising	Benefit Costs	
Individual assistance	\$ 268,170	\$ -	\$ -	\$ -	\$ 268,170	\$ 361,960	\$ -	\$ -	\$ -	\$ 361,960
Salaries	379,945	57,230	57,227	-	494,402	297,295	38,362	59,547	-	395,204
Payroll taxes and fringe benefits	82,703	12,457	12,457	-	107,617	63,225	8,159	12,664	-	84,048
Rent, utilities and maintenance	54,614	14,564	3,641	-	72,819	55,661	14,843	3,711	-	74,215
Professional fees and consultants	22,520	38,060	5,090	14,974	80,644	17,670	24,366	11,886	14,276	68,198
Office supplies	17,381	4,963	2,469	-	24,813	16,440	4,650	2,160	-	23,250
Program related expenses	33,079	-	-	-	33,079	20,277	-	-	-	20,277
Public relations	14,955	-	6,410	1,000	22,365	12,910	-	5,533	2,302	20,745
Insurance	10,958	3,850	968	-	15,776	9,829	3,630	1,232	-	14,691
Facility rental	-	-	-	20,460	20,460	-	-	-	21,353	21,353
Food and entertainment	-	-	-	25,515	25,515	-	-	-	17,962	17,962
Supplies, printing and other	-	-	21,751	13,926	35,677	-	-	9,174	20,199	29,373
Miscellaneous expenses	9,316	1,406	1,406	10,377	22,505	10,057	1,297	2,014	7,927	21,295
Depreciation expense	8,123	2,166	542	-	10,831	3,425	914	228	-	4,567
Total Expenses	901,764	134,696	111,961	86,252	1,234,673	868,749	96,221	108,149	84,019	1,157,138
Less special event expenses	-	-	-	(86,252)	(86,252)	-	-	-	(84,019)	(84,019)
Total Functional Expenses	\$ 901,764	\$ 134,696	\$ 111,961	\$ -	\$ 1,148,421	\$ 868,749	\$ 96,221	\$ 108,149	\$ -	\$ 1,073,119

See notes to financial statements

SilverSource, Inc.

Statements of Cash Flow

	Years Ended February 28,	
	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ (454,639)	\$ 794,652
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	10,831	4,567
Realized and unrealized gain on investments	(35,551)	(1,451,735)
Deferred federal excise tax	(2,423)	(37,968)
Changes in operating assets and liabilities		
Grants receivable	(47,232)	(766)
Interest and dividends receivable	6,605	4,805
Prepaid expenses	(20,557)	-
Other assets	(34,150)	6,170
Accounts payable and accrued expenses	13,790	(1,719)
Federal excise tax payable	(24,880)	32,410
Deferred revenue	9,418	-
Net Cash from Operating Activities	(578,788)	(649,584)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of investments	1,849,009	14,136,226
Purchase of investments	(1,402,896)	(13,709,127)
Acquisition of property and equipment	(40,220)	-
Net Cash from Investing Activities	405,893	427,099
Net Change in Cash and Cash Equivalents	(172,895)	(222,485)
CASH AND CASH EQUIVALENTS		
Beginning of year	243,374	465,859
End of year	\$ 70,479	\$ 243,374

See notes to financial statements.

SilverSource, Inc.

Notes to Financial Statements
February 28, 2019 and 2018

1. Organization

SilverSource, Inc. (the “Foundation”) is a private, independent, not-for-profit agency providing information and financial assistance to the over-sixty population of Stamford, Connecticut. The Foundation has qualified as a charitable organization which is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, (the Code), as amended. It is a private operating foundation as further described in Section 4942(j)(3) of the Code.

Mission: The Foundation advances the dignity, independence and quality of life of older adults by providing guidance for families and supportive services to those who are in need, and by engaging in community partnerships and by advocating for sound public policies.

Vision: The Foundation’s vision is a society that ensures older adults have the resources to live independent, healthy and fulfilled lives.

The Foundation focuses on the following key areas of care and service:

Housing Stability: Protecting economic security, improving safety for aging in place and providing assistance to prevent homelessness among older adults.

Transportation: Promote health and independence with Ride to Wellness medical transportation and provide financial subsidies for public transportation.

Medical Care: Provide financial assistance for medical, vision, hearing, supplies and prescriptions.

Nutrition: Provide funding for food, produce programs and home delivery of meals to homebound and disabled adults.

Community: Provide information and access to benefits and services through outreach programs and deliver essential services for older adults in need.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly actual results could differ for those estimates.

SilverSource, Inc.

Notes to Financial Statements
February 28, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Change in Accounting Guidance

On January 1, 2018, the Foundation adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Foundation to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Foundation to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard prior year amounts for unrestricted net assets were reclassified to net assets without donor restrictions.

Net Asset Presentation

Net assets without donor restrictions may be expended for any purpose in performing the primary objective of the Foundation. Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature or satisfied by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be held in perpetuity.

Cash and Cash Equivalents

Cash and cash equivalents represent short-term investments with maturities of three months or less at time of purchase except for those short-term investments managed by the Foundation's investment managers as part of their long-term investment strategies.

Fair Value Measurements

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation and Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis.

SilverSource, Inc.

Notes to Financial Statements
February 28, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost if purchased, or at estimated fair value on the date of gift when donated. The Foundation maintains a capitalization threshold of \$1,000. Depreciation of property and equipment is computed by using the straight-line method over the estimated useful lives of the assets as follows: vehicles (5 years) and furniture, fixtures and equipment (5 to 7 years).

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to program and supporting services of the Foundation. Therefore, these expenses require an allocation using a reasonable basis that is consistently applied. The expenses that are allocated include salaries and personnel costs which are allocated based on estimates of time and effort and other expenses which include office and administrative expenses which are allocated based on the functions receiving the benefit.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of tax positions only if they are more likely than not to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement disclosure and/or recognition.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 1, 2019.

3. Concentrations of Credit Risk

The Foundation's cash, cash equivalents and investments are potentially exposed to concentrations of credit risk. The Foundation believes it mitigates its risk by investing with reputable commercial institutions with satisfactory credit ratings. The Foundation routinely assesses the diversification and financial strength of its cash and investment portfolio. As a consequence, management believes concentrations of credit risk is limited.

SilverSource, Inc.

Notes to Financial Statements
February 28, 2019 and 2018

4. Investments

Investments categorized according to the fair value hierarchy as of February 28 consisted of the following:

	2019	2018
Level 1 Investments		
Mutual funds		
Equity	\$ 8,151,151	\$ 8,193,171
Fixed income	4,201,118	4,374,995
Real estate	686,748	689,393
Total Level 1 Investments	13,039,017	13,257,559
Cash held for investment, at cost	413,001	234,859
Investment in private equity fund *	21,151	391,313
Total Investments	\$ 13,473,169	\$ 13,883,731

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The Foundation is in the process of liquidating its investment in the private equity fund in accordance with the redemption terms.

Investment income for the years ended February 28 consists of the following:

	2019	2018
Dividends and interest	\$ 344,282	\$ 298,619
Net realized gain on sale of investments	164,581	3,338,718
Net unrealized loss on investments	(129,030)	(1,886,983)
Total income on investments	379,833	1,750,354
Investment fees	(20,247)	(72,225)
Federal excise tax (benefit)	(2,369)	3,058
Net investment income	\$ 357,217	\$ 1,681,187

SilverSource, Inc.

Notes to Financial Statements
February 28, 2019 and 2018

5. Property and Equipment

Property and equipment as of February 28 consists of the following:

	<u>2019</u>	<u>2018</u>
Vehicles	\$ 54,334	\$ 14,114
Furnishings and equipment	<u>25,791</u>	<u>53,896</u>
	80,125	68,010
Less: accumulated depreciation	<u>(42,349)</u>	<u>(59,623)</u>
	<u>\$ 37,776</u>	<u>\$ 8,387</u>

6. Liquidity and Availability

The following reflects the Foundation's financial assets as of February 28, 2019, reduced by amounts not available for general use within one year, due to contractual or donor-imposed restrictions or internal designations:

Cash and cash equivalents	\$ 70,479
Investments	13,473,169
Grants receivable due within one year	<u>37,620</u>
Financial assets at year end	13,581,268
Less amounts unavailable for general expenditures due to:	
Board designated reserves	(13,506,164)
Plus amounts available for general expenditures due to:	
Board designated for long term support budgeted amount	<u>780,640</u>
Financial assets at year end available to meet cash needs for general expenditures within one year	<u>\$ 855,744</u>

As part of the Foundation's liquidity management strategy, the Foundation structures its financial assets to be available as its assistance to individuals and other general liabilities come due. Cash withdrawals from the managed investment pool are scheduled on a monthly basis.

The Foundation's annual spending policy is described in Note 7 - Endowment. Although the Foundation does not intend to spend from these funds other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation, these amounts could be made available if necessary.

SilverSource, Inc.

Notes to Financial Statements
February 28, 2019 and 2018

7. Endowment

The Foundation's endowment fund consists of funds designated by the Board of Directors as endowment. Net assets associated with endowment funds, including funds designated by the Board of Directors are classified and reported based upon the existence or absence of donor-imposed restrictions as required by U.S. GAAP.

The Foundation's board designated endowment and a reconciliation of the amounts as of and for the years ended February 28 is as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 13,891,751	\$ 12,870,505
Dividends and interest	344,282	298,619
Net appreciation of investments	35,551	1,451,735
Investment fees	(20,247)	(72,225)
Federal excise tax (expense) benefit	<u>(2,369)</u>	<u>3,058</u>
Total Investment Return	357,217	1,681,187
Appropriation of endowment assets for expenditure	<u>(776,400)</u>	<u>(659,941)</u>
Endowment net assets, end of year	<u>\$ 13,472,568</u>	<u>\$ 13,891,751</u>

Investments and cash equivalents at February 28, 2019 and 2018 were held for board designated endowment and other board designated purposes.

The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CUPMIFA") 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. There were no donor-restricted endowment funds in the years ended February 28, 2019 and 2018. The Foundation follows the laws of CUPMIFA as they apply to the board designated endowment fund.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies, approved by the Board, with the goal of providing financial resources to underwrite and support the programs of the Foundation. The investment philosophy of the Foundation combines the goal of total return and preservation of capital with prudent risk tolerance in order to achieve investment results consistent with the financial goals and objectives of the Foundation. Assets are primarily invested through high-quality financial institutions that provide a diversified portfolio to protect against large investment losses and to reduce the probability of excessive performance volatility.

SilverSource, Inc.

Notes to Financial Statements
February 28, 2019 and 2018

7. Endowment (continued)

Return Objectives and Risk Parameters (continued)

The Foundation's goal is for its investment assets, over time, to produce a long-term real rate of return, after inflation and net of fees, of approximately 6 – 7% annually. Actual results in any given year may vary. Investment risk is measured in terms of the total investment assets and allocation between asset classes, and strategies are managed so as not to expose the fund to unacceptable levels of risk. In light of constant changes in market conditions, the Foundation will continually reassess its investment and spending policies.

Spending Policy

The Foundation's spending policy balances the competing objectives of providing a stable flow of income to the operating budget and protecting the real value of the endowment over time. The target spending rate is 5.50%. Endowment spending in any given year sums to 80% of previous year's spending and 20% of the targeted long-term spending rate applied to the average fair value of investments for the twelve quarters preceding the quarter in which the expenditure is planned. The calculated rate is constrained to a least 4.75% and not more than 6.25% of the average fair value of investments for the twelve quarters.

8. Retirement Benefits

The Foundation instituted a simplified employee pension plan covering substantially all employees. The Foundation's contributions to the plan are provided at the discretion of the Board of Directors. Plan expenses totaled \$16,122 and \$14,678 for the years ended February 28, 2019 and 2018.

9. Lease Commitment

The Foundation has a lease agreement for office space which expires on March 31, 2022. The lease contains escalation clauses that provide for increased payments resulting from increases in real estate taxes and certain other building expenses in excess of the base period amounts. The Foundation's policy is to record base rent on a straight-line basis over the terms of the lease. Future minimum rental payments due for years subsequent to February 28, 2019 are as follows:

2020	\$ 57,799
2021	59,247
2022	60,695
2023	5,067
	<u>\$ 182,808</u>

Rent expense totaled \$56,110 and \$55,024 for the years ended February 28, 2019 and 2018.

SilverSource, Inc.

Notes to Financial Statements
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10. Federal Excise Taxes

The Foundation is subject to a federal excise tax imposed on private foundations at 1 or 2% on its net investment income, as defined, for tax purposes. The excise tax can be reduced to 1% if certain conditions are met. Deferred taxes arise from differences between the cost and fair value of investments and are calculated at a rate of 2%.

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