



FINANCIAL STATEMENTS
FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

SILVERSOURCE, INC.

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February 29, 2020 and February 28, 2019

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50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

To the Board of Directors of
SilverSource, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of SilverSource, Inc. (a Connecticut corporation, not for profit) (the Foundation) which comprise the statement of financial position as of February 29, 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SilverSource, Inc. as of February 29, 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 Matter

The financial statements of the Foundation as of and for the year ended February 28, 2019, were audited by another auditor, whose report dated August 1, 2019, expressed an unmodified opinion on those fiscal year 2019 financial statements.

AAFCPA, Inc.

Westborough, Massachusetts
June 16, 2020

SILVERSOURCE, INC.Statements of Financial Position
February 29, 2020 and February 28, 2019

Assets	2020	2019
Current Assets:		
Cash	\$ 44,965	\$ 70,479
Grants and contributions receivable	2,175	65,872
Prepaid expenses	18,558	23,113
Total current assets	65,698	159,464
Investments	13,501,693	13,473,169
Other Assets	71,377	59,125
Property and Equipment, net	27,771	37,776
Total assets	<u>\$ 13,666,539</u>	<u>\$ 13,729,534</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 51,773	\$ 57,891
Net Assets:		
Without donor restrictions:		
Operating	100,154	127,703
Property and equipment	27,771	37,776
Board-designated endowment	13,486,841	13,472,568
Board-designated for capacity growth and fund development	-	33,596
Total net assets without donor restrictions	13,614,766	13,671,643
Total liabilities and net assets	<u>\$ 13,666,539</u>	<u>\$ 13,729,534</u>

SILVERSOURCE, INC.Statements of Activities and Changes in Net Assets
For the Years Ended February 29, 2020 and February 28, 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues and Support:		
Appropriation of endowment net assets for operations	\$ 781,020	\$ 776,400
Grants and contributions	192,593	174,591
Special events, net of direct benefit costs of \$104,378 and \$86,252 for the years ended February 29, 2020 and February 28, 2019, respectively	138,328	89,024
In-kind goods and services	87,361	7,588
Government grants	50,827	50,950
Other income	-	14,412
	<u>1,250,129</u>	<u>1,112,965</u>
Operating Expenses:		
Program services	1,050,777	914,393
General and administrative	117,163	123,765
Fundraising	153,339	110,263
	<u>1,321,279</u>	<u>1,148,421</u>
Changes in net assets without donor restrictions from operations	<u>(71,150)</u>	<u>(35,456)</u>
Non-Operating Income (Expense):		
Investment income, net	795,293	357,217
Appropriation of endowment net assets for operations	<u>(781,020)</u>	<u>(776,400)</u>
	<u>14,273</u>	<u>(419,183)</u>
Changes in net assets without donor restrictions	(56,877)	(454,639)
Net Assets Without Donor Restrictions:		
Beginning of year	<u>13,671,643</u>	<u>14,126,282</u>
End of year	<u>\$ 13,614,766</u>	<u>\$ 13,671,643</u>

SILVERSOURCE, INC.

Statements of Cash Flows

For the Years Ended February 29, 2020 and February 28, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets without donor restrictions	\$ (56,877)	\$ (454,639)
Adjustments to reconcile changes in net assets without donor restrictions to net cash used in operating activities:		
Depreciation	10,005	10,831
Realized and unrealized gains	(470,028)	(35,551)
Changes in operating assets and liabilities:		
Grants and contributions receivable	63,697	(47,232)
Interest and dividends receivable	-	6,605
Prepaid expenses	4,555	(20,557)
Other assets	(12,252)	(34,150)
Accounts payable and accrued expenses	(6,118)	(4,095)
	<u>(467,018)</u>	<u>(578,788)</u>
Net cash used in operating activities		
	<u>(467,018)</u>	<u>(578,788)</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	-	(40,220)
Purchases of investments	(569,183)	(1,402,896)
Sales of investments	1,010,687	1,849,009
	<u>441,504</u>	<u>405,893</u>
Net cash provided by investing activities		
	<u>441,504</u>	<u>405,893</u>
Net Change in Cash	(25,514)	(172,895)
Cash:		
Beginning of year	<u>70,479</u>	<u>243,374</u>
End of year	<u>\$ 44,965</u>	<u>\$ 70,479</u>
Supplemental Disclosure on Non-Cash Transactions:		
Unrealized gain (loss) on investments	<u>\$ 424,375</u>	<u>\$ (129,030)</u>

SILVERSOURCE, INC.

Statements of Functional Expenses
For the Years Ended February 29, 2020 and February 28, 2019

	2020					2019				
	Program Services	General and Administrative	Fundraising	Direct Benefit Costs	Total	Program Services	General and Administrative	Fundraising	Direct Benefit Costs	Total
Operating Expenses:										
Salaries and related:										
Salaries	\$ 412,594	\$ 53,318	\$ 67,662	\$ -	\$ 533,574	\$ 379,945	\$ 57,230	\$ 57,227	\$ -	\$ 494,402
Payroll taxes and benefits	79,763	10,307	13,080	-	103,150	82,703	12,457	12,457	-	107,617
Total salaries and related	492,357	63,625	80,742	-	636,724	462,648	69,687	69,684	-	602,019
Occupancy:										
Facility lease	51,881	4,035	1,726	-	57,642	50,499	3,928	1,683	-	56,110
Utilities and maintenance	15,891	1,236	533	-	17,660	14,309	1,113	477	-	15,899
Total occupancy	67,772	5,271	2,259	-	75,302	64,808	5,041	2,160	-	72,009
Other:										
Individual assistance	292,391	-	-	-	292,391	268,980	-	-	-	268,980
In-kind goods and services	44,794	-	42,567	-	87,361	7,588	-	-	-	7,588
Consultants	30,697	41,515	3,319	11,269	86,800	22,520	38,060	5,090	14,974	80,644
Public relations	33,680	-	5,944	3,800	43,424	14,955	-	6,410	1,000	22,365
Facility rental	-	-	-	34,444	34,444	-	-	-	20,460	20,460
Food and entertainment	-	-	-	29,508	29,508	-	-	-	25,515	25,515
Program related expenses	29,140	-	-	-	29,140	25,491	-	-	-	25,491
Office supplies	25,627	1,993	854	-	28,474	17,381	4,963	2,469	-	24,813
Advertising	-	-	14,564	13,139	27,703	-	-	21,751	13,926	35,677
Miscellaneous	11,842	1,550	1,967	12,218	27,577	9,316	1,406	1,406	10,377	22,505
Insurance	13,472	2,509	823	-	16,804	10,958	3,850	968	-	15,776
Depreciation	9,005	700	300	-	10,005	9,748	758	325	-	10,831
Total other	490,648	48,267	70,338	104,378	713,631	386,937	49,037	38,419	86,252	560,645
	1,050,777	117,163	153,339	104,378	1,425,657	914,393	123,765	110,263	86,252	1,234,673
Less - special event expense	-	-	-	(104,378)	(104,378)	-	-	-	(86,252)	(86,252)
Total operating expenses	\$ 1,050,777	\$ 117,163	\$ 153,339	\$ -	\$ 1,321,279	\$ 914,393	\$ 123,765	\$ 110,263	\$ -	\$ 1,148,421

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2020 and February 28, 2019

1. OPERATIONS AND NONPROFIT STATUS

SilverSource, Inc. (the Foundation) was formed in 1908 for the purpose of providing information and financial assistance to the over-sixty population of Stamford, Connecticut. The Foundation's mission is to advance the dignity, independence and quality of life of older adults by providing supportive services to those who are in need and guidance to families, by engaging in community partnerships and advocating for sound public policies. The Foundation focuses on housing stability, transportation, medical care, nutrition, and community outreach as its key areas of focus.

In 1935, the Foundation became qualified as an organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is also exempt from state income taxes. The Foundation operates as a private operating foundation subject to an excise tax on net investment income, as defined under Section 4942(j)(3) of the IRC. Donors can deduct contributions made to the Foundation within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Accounting Principle Adoptions

Revenue Recognition

During fiscal year 2020, the Foundation adopted the provisions of FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB's ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting for the year ended February 29, 2020, are presented under FASB's ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to beginning net assets was recorded.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The standard also requires new, expanded disclosures regarding revenue recognition. The ASU replaces most existing revenue recognition guidance in GAAP. The new standard was adopted by the Foundation effective March 1, 2019, using the modified retrospective approach only to transactions that were not completed as of the adoption date. The difference to revenue and cost recognition-related account balances at February 28, 2019, under new guidance as opposed to the prior revenue recognition guidance for contracts in progress, was determined to be immaterial. Accordingly, no adjustment to beginning net assets was necessary.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at February 29, 2020 and February 28, 2019. The Foundation's tax returns are subject to examination by the Federal and state jurisdictions.

The Foundation is classified as a non-operating foundation under the IRC. As such, its net investment earnings are subject to a Federal excise tax. The Foundation incurred excise taxes of \$5,339 and \$2,369 arising from net investment earnings excluding unrealized gains and losses for the years ended February 29, 2020 and February 28, 2019, respectively. The Foundation's excise tax obligation for the years ended February 29, 2020 and February 28, 2019, was calculated using the rate of 1.39% under IRC Section 4940(e). Deferred taxes arise from differences between the cost and fair value of investments and are calculated at a rate of 2%. The Foundation recorded a deferred tax liability of \$8,488 as of February 29, 2020. There was no deferred tax liability or asset as of February 28, 2019.

Fair Value Measurements

The Foundation follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Foundation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Foundation uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Foundation. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2020 and February 28, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Foundation and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds and exchange traded funds are based on share prices reported by the funds as of the last business day of the fiscal year. Reported fair values of money market funds are based on market values reported by the market as of the last business day of the year.

A summary of inputs used in valuing the Foundation's investments for the years ended February 29, 2020 and February 28, 2019, is included in Note 3.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Property, Equipment and Depreciation

Purchased property and equipment (see Note 4) are recorded at cost. Donated property and equipment are recorded at fair market value at the time of donation. Renewals and betterments are capitalized over \$1,000, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furnishing and equipment	5 - 7 years
Vehicles	5 years

Depreciation expense was \$10,005 and \$10,831 for the years ended February 29, 2020 and February 28, 2019, respectively.

Revenue Recognition

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition - Contributions*, the Foundation must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 9). Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Foundation should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants and Contributions (Continued)

Grants and contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services as performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Grants and contributions with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

Special Events

Special event income is derived from the Foundation's performance to host its two annual fundraising events in which revenues are recognized at the time of the event. Special event income consists of both contributions and sales. The contribution portion of the special event income is recognized as revenue when unconditionally committed or received. The sales portion of the special event income is derived from various components, including registration fees, sponsorships, and program ads, in which the transaction price is determined annually. Registration fees for these events are set by the Foundation and have not been allocated as both events are each considered to be one performance obligation. Special events income is shown net of direct event costs of \$104,378 and \$86,252 for the years ended February 29, 2020 and February 28, 2019, respectively. Fees collected in advance of the special event are initially recorded as deferred revenue (contract liabilities) and are only recognized in the statements of activities and changes in net assets after the special event has occurred and the performance obligation has been met. There was no deferred revenue as of February 29, 2020 and February 28, 2019, as fees were collected and the events were held in the same period.

Investment and Other Income

Investment income is recorded as earned. Realized gains and losses on investment transactions are recorded upon sales. Unrealized gains and losses are recognized based on fair value changes during the period. The Foundation's investment policy sets forth guidelines for prudent investments of funds, taking into account liquidity, risk and return characteristics appropriate for different categories of the Foundation's holding.

Unless otherwise restricted by the donor, investment return is available for operations and is reflected as Board-designated endowment without donor restrictions in the accompanying financial statements. Endowment funds and the income generated therefrom, classified as Board-designated endowment, is subject to the Foundation's annual spending policy appropriation (see Note 5). All other income is recognized when earned.

Bequests

The Foundation is and may be named principal beneficiary of various trusts and wills. The amounts to be received, if any, cannot be determined, and therefore, are not reflected in the Foundation's financial statements until the amounts become known or are received.

Advertising Costs

The Foundation expenses advertising costs as incurred.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Grants and Contributions Receivable and Allowance for Doubtful Accounts

Grants and contributions receivable consist of grants or contributions committed to the Foundation. Contributions receivable are recorded at their net present value when unconditionally committed. An allowance for doubtful accounts is based on management's evaluations of the collectability of individual accounts. Account balances are charged off against the allowance when it is probable the receivable will not be recovered. There was no allowance for doubtful accounts as of February 29, 2020 and February 28, 2019.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function. The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, and occupancy costs, which are allocated based on the square footage of department locations and an estimate of time and level of effort spent the Foundation's program and supporting functions.

In-Kind Goods and Services

The Foundation receives donated goods and services for various fundraising expenses. These donations are reflected in the accompanying financial statements based upon the estimated value assigned by management. The value of these services for the years ended February 29, 2020 and February 28, 2019, was \$87,361 and \$7,588, respectively, which is reflected as in-kind goods and services in the accompanying statements of activities and changes in net assets and functional expenses. In-kind goods and services consist of contracted services, care packages, and other goods during the years ended February 29, 2020 and February 28, 2019.

Net Assets Classification

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Foundation. The Foundation has grouped its net assets without donor restrictions into the following categories:

- *Operating* - represents funds available to carry on the operations of the Foundation.
- *Property and equipment* - reflect the net book value of the Foundation's property and equipment.
- *Board-designated endowment* - represents funds set aside to function as the Foundation's endowment. The use of these funds requires approval of the Board of Directors.
- *Board-designated for capacity growth and fund development* - represented funds set aside by the Board of Directors used for capacity growth and fund development. The use of these funds required approval of the Board of Directors. These funds were fully expended during fiscal year 2020.

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose or amounts restricted for use in future periods. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purpose or as the time period lapses. There were no net assets with donor restrictions as of February 29, 2020 and February 28, 2019.

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2020 and February 28, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating income (expense) includes investment activity.

Subsequent Events

Subsequent events have been evaluated through June 16, 2020, which is the date the financial statements were available to be issued. An event that met the criteria for disclosure in the financial statements is disclosed in Note 11.

3. INVESTMENTS

Investments consist of shares of equity, fixed income, real estate, and cash funds. The Foundation generally intends to hold the investments long-term.

The balances of these investments, which are stated at fair value in the accompanying statements of financial position, are as follows, by level within the valuation framework (see Note 2), as of February 29, 2020 and February 28, 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Level 1 investments:		
Mutual funds:		
Equity	\$ 7,887,428	\$ 8,151,151
Fixed income	4,449,392	4,201,118
Real estate	<u>678,922</u>	<u>686,748</u>
Total Level 1 investments	13,015,742	13,039,017
Cash held for investment, at cost	485,951	413,001
Investment in private equity fund *	<u>-</u>	<u>21,151</u>
Total investments	<u>\$ 13,501,693</u>	<u>\$ 13,473,169</u>

* As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. As of February 28, 2019, the Foundation was in the process of liquidating its investment in a private equity fund in accordance with the redemption terms. This investment was fully liquidated in fiscal year 2020.

Investment income consists of the following at February 29, 2020 and February 28, 2019:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 364,280	\$ 344,282
Net realized gain on sale of investments	45,653	164,581
Net unrealized gain (loss) on investments	<u>424,375</u>	<u>(129,030)</u>
Net income on investments	834,308	379,833
Investment fees	(25,188)	(20,247)
Federal excise tax expense	<u>(13,827)</u>	<u>(2,369)</u>
Investment income, net	<u>\$ 795,293</u>	<u>\$ 357,217</u>

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2020 and February 28, 2019

4. PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following as of February 29, 2020 and February 28, 2019:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 54,334	\$ 54,334
Furnishing and equipment	<u>25,791</u>	<u>25,791</u>
	80,125	80,125
Less - accumulated depreciation	<u>(52,354)</u>	<u>(42,349)</u>
Net property and equipment	<u>\$ 27,771</u>	<u>\$ 37,776</u>

5. BOARD-DESIGNATED 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 required by U.S GAAP.

The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CUPMIFA") as requiring 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 29, 2020 and February 28, 2019. The Foundation follows the laws of CUPMIFA for 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 combined 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.

The Foundation's goal is for investment assets, over time, to produce a long-term real rate of return, after inflation and net of fees, of approximately 6% to 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 targeted long-term spending rate applied to the average fair value estimate of investments for twelve quarters preceding the quarter in which the expenditure is planned. The calculated rate is constrained to at least 4.75% and not more than 6.25% of the average fair value of investments for twelve quarters.

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2020 and February 28, 2019

5. BOARD-DESIGNATED ENDOWMENT (Continued)

A reconciliation of endowment activity is as follows for the years ended February 29, 2020 and February 28, 2019:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 13,472,568	\$ 13,891,751
Dividend and interest	364,280	344,282
Net appreciation on investments	470,028	35,551
Investment fees	(25,188)	(20,247)
Federal excise tax expense	<u>(13,827)</u>	<u>(2,369)</u>
Investment income, net	795,293	357,217
Appropriation of endowment assets for expenditure	<u>(781,020)</u>	<u>(776,400)</u>
Endowment net assets, end of year	<u>\$ 13,486,841</u>	<u>\$ 13,472,568</u>

6. FACILITY LEASE

The Foundation has a lease agreement for office space with monthly payments of \$4,827 and \$4,706 for the years ended February 29, 2020 and February 28, 2019, respectively, increasing in increments of \$121 annually. The lease expires on May 31, 2022, with a five-year renewal option. In addition, the Foundation is responsible for monthly payments of \$663 for utilities, as defined in the agreement.

Rent expense totaled \$57,642 and \$56,110 for the years ended February 29, 2020 and February 28, 2019, respectively, which is reflected as facility lease in the accompanying statements of functional expenses.

Future minimum lease payments are as follows for the years ending February 28:

2021	\$ 59,006
2022	60,454
2023	<u>15,204</u>
Total	<u>\$ 134,664</u>

7. RETIREMENT PLAN

The Foundation instituted a simplified employee pension plan. The Foundation contributed 4% of each employee's annual salary for years ended February 29, 2020 and February 28, 2019, totaling \$19,845 and \$16,122, respectively, in contributions, which are included in payroll taxes and benefits in the accompanying statements of functional expenses.

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2020 and February 28, 2019

8. CONCENTRATIONS OF CREDIT RISK

Grants and Contributions Receivable

The Foundation's grants and contributions receivable are from one and three donors as of February 29, 2020 and 2019, respectively.

Investments

The Foundation's investment portfolio is not insured and is subject to ongoing market fluctuations (see Note 3).

9. CONDITIONAL GRANTS

During fiscal year 2020, the Foundation was awarded one grant from an organization which is conditional based on certain criteria, as defined in the agreement. Remaining installments on this grant total approximately \$42,204 as of February 29, 2020, and are conditional upon the Foundation overcoming certain barriers such as stipulations that limit discretion by the Foundation to perform activities conducted with the grant funds, as defined in the grants agreement. As such, this amount has not been recorded in the accompanying financial statements as of February 29, 2020, as the barriers have not yet been overcome.

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at February 29, 2020 and February 28, 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 44,965	\$ 70,479
Grants and contributions receivable due within one year	<u>2,175</u>	<u>65,872</u>
Financial assets at year end	47,140	136,351
Plus - Board-designated budgeted appropriation of endowment net assets	<u>842,325</u>	<u>781,020</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 889,465</u>	<u>\$ 917,371</u>

As part of the Foundation's liquidity management, the Foundation has a policy to structure 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.

11. SUBSEQUENT EVENT

COVID-19 outbreak in the United States has resulted in the closures of many businesses and a marked reduction in economic activity. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the Foundation expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time. However, subsequent to February 29, 2020, the Foundation applied for and was awarded a loan from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in the amount of \$125,000. The funds will be used to pay certain payroll costs including benefits, as well as rent and utilities during a twenty-four-week period ending October 9, 2020. A portion of these funds may be forgiven, as defined in the agreement, at the end of the twenty-four-week period and the remainder of the funds will be due with interest at 1%. The repayment will be deferred until December 1, 2020, when the note, plus interest, will be due in equal monthly payments through April 24, 2022. The Foundation intends to submit the forgiveness application to the bank immediately upon satisfaction of the spending.

The economic uncertainties as a result of COVID-19 have created an overall material impact on the Foundation's investment portfolio. While the market is expected to turn around, there is additional uncertainty regarding the duration of the decline and the ability for the Foundation's investment portfolio to recover.

12. RECLASSIFICATIONS

Certain amounts in the fiscal year 2019 financial statements have been reclassified to conform with the fiscal year 2020 presentation.