



FINANCIAL STATEMENTS
FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

SILVERSOURCE, INC.

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February 29, 2024 and February 28, 2023

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Independent Auditor's Report

To the Board of Directors of
SilverSource, Inc.:

Opinion

We have audited the financial statements of SilverSource, Inc. (a Connecticut nonprofit corporation) (the Foundation), which comprise the statements of financial position as of February 29, 2024 and February 28, 2023, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SilverSource, Inc. as of February 29, 2024 and February 28, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPA, Inc.

Westborough, Massachusetts
June 27, 2024

SILVERSOURCE, INC.Statements of Financial Position
February 29, 2024 and February 28, 2023

Assets	2024	2023
Current Assets:		
Cash	\$ 430,308	\$ 445,866
Grants and contributions receivable	8,345	20,228
Prepaid expenses	13,633	19,222
Total current assets	452,286	485,316
Investments	13,640,867	12,904,298
Security Deposits	15,000	9,171
Property and Equipment, net	103,490	84,033
Right-of-Use Asset	902,301	-
Total assets	<u>\$ 15,113,944</u>	<u>\$ 13,482,818</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of lease liability	\$ 122,775	\$ -
Accounts payable and accrued expenses	144,313	119,431
Total current liabilities	267,088	119,431
Right-of-Use Liability, net of current portion	830,445	-
Total liabilities	<u>1,097,533</u>	<u>119,431</u>
Net Assets:		
Without donor restrictions:		
Operating	322,973	375,056
Property and equipment	52,571	84,033
Board-designated endowment	13,640,867	12,904,298
Total net assets without donor restrictions	<u>14,016,411</u>	<u>13,363,387</u>
Total liabilities and net assets	<u>\$ 15,113,944</u>	<u>\$ 13,482,818</u>

SILVERSOURCE, INC.Statements of Activities and Changes in Net Assets
For the Years Ended February 29, 2024 and February 28, 2023

	<u>2024</u>	<u>2023</u>
Operating Revenue and Support:		
Appropriation of endowment net assets for operations	\$ 1,037,511	\$ 825,000
Grants and contributions	252,545	428,703
Government grants	214,545	237,474
Special events, net	163,989	166,059
In-kind goods and services	74,249	70,743
	<u>1,742,839</u>	<u>1,727,979</u>
Operating Expenses:		
Program services	1,381,147	1,180,669
General and administrative	198,893	148,757
Fundraising	221,437	193,378
	<u>1,801,477</u>	<u>1,522,804</u>
Changes in net assets without donor restrictions from operations	<u>(58,638)</u>	<u>205,175</u>
Non-Operating Income (Loss):		
Investment income (loss), net	1,749,173	(1,239,138)
Appropriation of endowment net assets for operations	(1,037,511)	(825,000)
	<u>711,662</u>	<u>(2,064,138)</u>
Changes in net assets without donor restrictions	653,024	(1,858,963)
Net Assets Without Donor Restrictions:		
Beginning of year	<u>13,363,387</u>	<u>15,222,350</u>
End of year	<u>\$ 14,016,411</u>	<u>\$ 13,363,387</u>

SILVERSOURCE, INC.

Statements of Cash Flows

For the Years Ended February 29, 2024 and February 28, 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Changes in net assets without donor restrictions	\$ 653,024	\$ (1,858,963)
Adjustments to reconcile changes in net assets without donor restrictions to net cash used in operating activities:		
Realized and unrealized (gains) losses	(1,447,431)	1,530,578
Depreciation	22,413	11,505
Non-cash lease expenses	50,919	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	11,883	19,169
Prepaid expenses	5,589	14,196
Security deposits	(5,829)	-
Accounts payable and accrued expenses	24,882	4,553
Deferred revenue	-	(15,000)
	<u>(684,550)</u>	<u>(293,962)</u>
Net cash used in operating activities		
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	-	1,495
Acquisition of property and equipment	(41,870)	(84,293)
Purchases of investments	(3,807,175)	(3,886,158)
Sales of investments	4,518,037	4,437,216
	<u>668,992</u>	<u>468,260</u>
Net cash provided by investing activities		
Net Change in Cash	(15,558)	174,298
Cash:		
Beginning of year	<u>445,866</u>	<u>271,568</u>
End of year	<u>\$ 430,308</u>	<u>\$ 445,866</u>
Supplemental Disclosure on Non-Cash Transactions:		
Unrealized gain (loss) on investments	<u>\$ 1,100,281</u>	<u>\$ (1,618,565)</u>

SILVERSOURCE, INC.

Statements of Functional Expenses
For the Years Ended February 29, 2024 and February 28, 2023

	2024					2023				
	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	\$ 556,454	\$ 105,732	\$ 135,418	\$ -	\$ 797,604	\$ 475,008	\$ 93,709	\$ 125,986	\$ -	\$ 694,703
Payroll taxes and benefits	98,922	18,796	24,074	-	141,792	86,606	15,515	22,824	-	124,945
Total salaries and related	655,376	124,528	159,492	-	939,396	561,614	109,224	148,810	-	819,648
Occupancy:										
Facility lease	104,624	18,396	16,778	-	139,798	50,442	4,740	5,634	-	60,816
Utilities and maintenance	21,656	3,808	3,473	-	28,937	15,110	1,420	1,688	-	18,218
Total occupancy	126,280	22,204	20,251	-	168,735	65,552	6,160	7,322	-	79,034
Other:										
Individual assistance	358,792	-	-	-	358,792	340,577	-	-	-	340,577
Food and entertainment	-	-	-	113,907	113,907	-	-	-	120,263	120,263
In-kind goods and services	49,514	1,167	1,494	22,074	74,249	46,743	-	-	24,000	70,743
Miscellaneous	52,645	3,301	3,967	-	59,913	18,407	3,510	4,719	-	26,636
Consultants	18,066	32,545	2,978	-	53,589	14,247	25,639	1,729	-	41,615
Program related expenses	44,461	-	-	-	44,461	51,154	-	-	-	51,154
Office supplies	24,341	4,452	4,355	-	33,148	22,228	2,089	2,482	-	26,799
Insurance	19,624	2,572	2,345	-	24,541	18,175	1,238	1,472	-	20,885
Depreciation	6,880	8,124	7,409	-	22,413	9,542	897	1,066	-	11,505
Public relations	16,188	-	3,132	-	19,320	17,748	-	3,132	-	20,880
Advertising	-	-	13,422	-	13,422	-	-	20,054	-	20,054
Marketing	8,980	-	2,592	-	11,572	14,682	-	2,592	-	17,274
Total other	599,491	52,161	41,694	135,981	829,327	553,503	33,373	37,246	144,263	768,385
	1,381,147	198,893	221,437	135,981	1,937,458	1,180,669	148,757	193,378	144,263	1,667,067
Less - special event expense	-	-	-	(135,981)	(135,981)	-	-	-	(144,263)	(144,263)
Total operating expenses	\$ 1,381,147	\$ 198,893	\$ 221,437	\$ -	\$ 1,801,477	\$ 1,180,669	\$ 148,757	\$ 193,378	\$ -	\$ 1,522,804

The accompanying notes are an integral part of these statements.

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2024 and February 28, 2023

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.

In February 2024, the Foundation's Board of Directors established Friends of SilverSource, Inc. (the Entity), a not-for-profit entity. It is anticipated that the Entity will receive tax-exempt status in fiscal year 2025. All program activities of the Foundation are expected to transfer to the Entity, while the Foundation will retain the Board-designated endowment. The Foundation will make annual distributions to the Entity. The Entity had no activity during fiscal year 2024.

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 Standard Adoption

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The most significant change in the new lease guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statements of financial position. The Foundation elected to adopt Topic 842 on March 1, 2023, using the optional transition method provided in ASU 2018-11. Under this transition method, financial information related to years prior to adoption was as originally reported under Topic 840.

The Foundation elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed the Foundation to carry forward the historical lease classification as operating or capital leases. The Foundation also elected to combine lease and non-lease components and to exclude short-term leases from the statements of financial position. The Foundation did not elect the hindsight practical expedient in determining the lease term for the existing leases as of March 1, 2023.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2024 and February 28, 2023. 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 \$9,666 and \$4,997 arising from net investment earnings excluding unrealized gains and losses for the years ended February 29, 2024 and February 28, 2023, respectively. The Foundation's excise tax obligation for the years ended February 29, 2024 and February 28, 2023, 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 1.39%. The Foundation recorded a deferred tax liability of \$25,500 and \$10,259 as of February 29, 2024 and February 28, 2023, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of financial position.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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, 2024 and February 28, 2023, 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 is 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 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:

Vehicles	5 years
Leasehold improvements	7 years
Furnishing and equipment	5 - 7 years

Lease Agreements

The Foundation determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. The Foundation determines such assets are leased because the Foundation has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

The Foundation determines lease classification as operating or finance at the lease commencement date. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation uses the implicit rate when readily determinable.

As the lease does not provide an implicit rate, the Foundation uses a risk-free rate based on the information available at the later of March 1, 2023, or commencement date to determine the present value of lease payments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Agreements (Continued)

The lease term may include options to extend or to terminate the lease that the Foundation is reasonably certain to exercise. Lease expense for operating leases is generally recognized on a straight-line basis over the lease term.

The Foundation has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Revenue Recognition

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition - Contributions (Topic 958)*, 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 8). Indicators of a barrier include a measurable performance-related barrier or another 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.

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 are 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.

The Foundation receives grants from various Federal and Connecticut state agencies and are shown as government grants in the accompanying statements of activities and changes in net assets. Amounts received under contracts with various Federal and Connecticut state agencies have been recorded in accordance with Topic 958. These grants are considered non-reciprocal transactions because the general public receives the benefit of the assets transferred. These conditional contributions are recognized as services are provided or as qualifying costs are incurred.

Grants are recorded as services are provided and costs are incurred. Grants with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed.

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 recognized in accordance with ASC Subtopic 606, *Revenue from Contracts with Customers (Topic 606)*, and 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.

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2024 and February 28, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Special Events (Continued)

Special events income is shown net of direct event costs of \$135,981 and \$144,263 for the years ended February 29, 2024 and February 28, 2023, 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, 2024 and February 28, 2023, as fees were collected and the events were held in the same period.

Special events income consists of the following as of February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Contributions (Topic 958)	\$ 224,216	\$ 248,107
Ticket sales (Topic 606)	75,754	62,215
Direct event costs	<u>(135,981)</u>	<u>(144,263)</u>
Special events, net	<u>\$ 163,989</u>	<u>\$ 166,059</u>

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, are subject to the Foundation's annual spending policy appropriation (see Note 5) and are reflected in the statements of activities and changes in net assets as appropriation of endowment net assets for operations. 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.

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. Other account receivable consists of insurance proceeds. 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 deemed necessary as of February 29, 2024 and February 28, 2023.

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2024 and February 28, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, which are allocated based on estimate of time and level of effort spent on the Foundation's program and supporting functions, and occupancy costs, insurance, and office supplies, which are allocated based on the square footage of department locations.

In-Kind Goods and Services

The Foundation receives donated goods and services for various fundraising and program expenses. These donations are 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 revenue includes the following items for the years ended February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Other goods	\$ 51,635	\$ 22,518
Donations for the golf event	19,139	15,000
Gift cards	3,475	3,525
Contracted services	<u>-</u>	<u>29,700</u>
Total in-kind goods and services	<u>\$ 74,249</u>	<u>\$ 70,743</u>

The Foundation utilizes fair market values provided by the individuals which supplied the goods or provided the services. In the instance that a value was not provided by the donating individual, the Foundation utilized three inventory valuation methods. These methods include (1) current price located on a publicly available website if the inventory item is a match for the website item when donated; (2) percentage of the price located on a publicly available website if the item donated has been used but the item located online is new; and (3) the current average price located on a publicly available website for similar items if a group of items are donated and the items range in price depending on model, size, etc.

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 and right-of-use asset net of the operating lease liability.
- *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.

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2024 and February 28, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets Classification (Continued)

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, 2024 and February 28, 2023.

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 revenue and support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating income (loss) includes investment activity.

Subsequent Events

Subsequent events have been evaluated through June 27, 2024, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

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, by level within the valuation framework (see Note 2), as of February 29, 2024 and February 28, 2023, consisted of the following:

	<u>2024</u>	<u>2023</u>
Level 1 investments:		
Mutual funds:		
Equity	\$ 8,443,441	\$ 7,842,073
Fixed income	4,789,481	4,039,836
Real estate	<u>-</u>	<u>610,871</u>
Total Level 1 investments	13,232,922	12,492,780
Cash held for investment, at cost	<u>407,945</u>	<u>411,518</u>
Total investments	<u>\$ 13,640,867</u>	<u>\$ 12,904,298</u>

SILVERSOURCE, INC.

Notes to Financial Statements
February 29, 2024 and February 28, 2023

3. INVESTMENTS (Continued)

Investment income consists of the following for the years ended February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Dividends and interest	\$ 358,276	\$ 304,606
Net realized gain on sale of investments	347,150	87,987
Net unrealized gain (loss) on investments	<u>1,100,281</u>	<u>(1,618,565)</u>
Net income (loss) on investments	1,805,707	(1,225,972)
Investment fees	(31,627)	(29,749)
Federal excise tax benefit (expense)	<u>(24,907)</u>	<u>16,583</u>
Investment income (loss), net	<u>\$ 1,749,173</u>	<u>\$ (1,239,138)</u>

The Foundation's investment portfolio is not insured and is subject to ongoing market fluctuations.

4. PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following as of February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Vehicles	\$ 83,732	\$ 79,452
Leasehold improvements	35,126	-
Furnishing and equipment	<u>19,576</u>	<u>34,126</u>
	138,434	113,578
Less - accumulated depreciation	<u>(34,944)</u>	<u>(29,545)</u>
Net property and equipment	<u>\$ 103,490</u>	<u>\$ 84,033</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, 2024 and February 28, 2023. The Foundation follows the laws of CUPMIFA for the Board-designated endowment fund.

SILVERSOURCE, INC.

Notes to Financial Statements
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5. BOARD-DESIGNATED ENDOWMENT (Continued)

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.

A reconciliation of endowment activity is as follows for the years ended February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 12,904,298	\$ 14,985,019
Dividend and interest	358,276	304,606
Net appreciation on investments	1,447,431	(1,530,578)
Investment fees	<u>(31,627)</u>	<u>(29,749)</u>
	1,774,080	(1,255,721)
Appropriation of endowment assets for expenditure	<u>(1,037,511)</u>	<u>(825,000)</u>
Endowment net assets, end of year	<u>\$ 13,640,867</u>	<u>\$ 12,904,298</u>

6. FACILITY LEASE

In July 2023, the Foundation entered into a lease for office space that expires in October 2030. Under the agreement, monthly rent is \$13,200, which increases as defined in the agreement. The Foundation received four months of free rent under this agreement. The Foundation is required to pay monthly rent payments plus its pro-rata share of increases in property taxes and common area charges, where applicable. The office space lease includes an escalating fee schedule, which is a 2% increase every other year.

The ROU assets obtained in exchange for lease obligations were \$993,076 in July 2023.

A discount rate of 3.97% was used as of February 29, 2024.

SILVERSOURCE, INC.

Notes to Financial Statements
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6. FACILITY LEASE (Continued)

The following summarizes the lease cost line items included in occupancy expense in the accompanying statement of functional expenses for the year ended February 29, 2024:

Operating lease cost	\$ 100,198
Add - variable lease cost	45,316
Add - short-term lease cost	<u>36,079</u>
Total operating lease costs	<u>\$ 181,593</u>

The following summarizes the cash flow information related to leases for the year ended February 29, 2024:

Cash paid for amounts included in measurement of operating lease liability:	<u>\$ 52,800</u>
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Future undiscounted cash flows under the facility lease agreement as of February 29, 2024, are as follows:

2025	\$ 158,400
2026	160,512
2027	161,568
2028	163,728
2029	164,808
Thereafter	<u>310,818</u>
Total lease payments	1,119,834
Less - present value discount	<u>166,614</u>
Present value of lease liability	<u>\$ 953,220</u>

Prior to entering into the above lease, the Foundation occupied space under a short-term lease which required monthly payments of \$5,068 and \$4,947 as of February 29, 2024 and February 28, 2023, respectively. This lease ended in June 2023. The total paid under this lease for the years ended February 29, 2024 and February 28, 2023, was \$36,079 and \$60,816, respectively.

7. RETIREMENT PLAN

The Foundation instituted a simplified employee pension plan. The Foundation contributed 4% of each employee's annual salary for the years ended February 29, 2024 and February 28, 2023, totaling \$30,020 and \$26,025, respectively, in contributions which are included in payroll taxes and benefits in the accompanying statements of functional expenses.

8. CONDITIONAL GRANT

During fiscal year 2023, the Foundation was awarded one grant from an organization which is conditional based on certain criteria, as defined in the agreement. Remaining installments on the grant were \$16,544 as of February 28, 2023, and were 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 grant agreement. As of February 29, 2024, there were no conditional grants.

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9. 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, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Cash	\$ 430,308	\$ 445,866
Grants and contributions receivable	<u>8,345</u>	<u>20,228</u>
Financial assets at year end	438,653	466,094
Plus - Board-designated budgeted appropriation of endowment net assets	<u>1,207,500</u>	<u>947,791</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,646,153</u>	<u>\$ 1,413,885</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.