



SilverSource, Inc.

Financial Statements

February 28, 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 statement of financial position as of February 28, 2018 and the related statements of activities, functional expenses and cash flow 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.

Auditors' Responsibility

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

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

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

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, 2018 and the changes in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

June 20, 2018

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SilverSource, Inc.

Statement of Financial Position
February 28, 2018

ASSETS

Cash and cash equivalents	\$ 243,374
Investments	13,883,731
Grants receivable	18,640
Interest and dividends receivable	6,605
Prepaid taxes	2,500
Other assets	25,031
Property and equipment, net of accumulated depreciation	<u>8,387</u>
	<u>\$ 14,188,268</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 34,488
Federal excise tax payable	25,075
Deferred federal excise tax	<u>2,423</u>
Total Liabilities	<u>61,986</u>
Net Assets	
Unrestricted	44,241
Board-designated for property and equipment	8,387
Board-designated for capacity growth and fund development	181,903
Board-designated endowment	<u>13,891,751</u>
Total Net Assets	<u>14,126,282</u>
	<u>\$ 14,188,268</u>

See notes to financial statements

SilverSource, Inc.

Statement of Activities and Change in Net Assets
Year Ended February 28, 2018

PUBLIC SUPPORT AND REVENUE

Public Support	
Contributions	\$ 85,897
Government grants	41,851
Special events, net of direct benefit costs of \$83,716	<u>56,760</u>
Total Public Support	<u>184,508</u>
 Revenue	
Investment income, net of investment expenses and federal excise tax expense (benefit)	1,681,187
Other revenue	<u>2,076</u>
Total Revenue	<u>1,683,263</u>
 Total Direct Support and Revenue	1,867,771

EXPENSES

Program services	868,749
Management and general	96,221
Fundraising	<u>108,149</u>
Total Functional Expenses	<u>1,073,119</u>

Change in Net Assets 794,652

NET ASSETS

Beginning of year	<u>13,331,630</u>
End of year	<u>\$ 14,126,282</u>

See notes to financial statements

SilverSource, Inc.

Statement of Functional Expenses
Year Ended February 28, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Individual assistance	\$ 361,960	\$ -	\$ -	\$ 361,960
Salaries	297,294	38,362	59,547	395,203
Payroll taxes and fringe benefits	63,226	8,159	12,664	84,049
Rent, utilities and maintenance	55,661	14,843	3,711	74,215
Professional fees and consultants	17,670	24,366	11,886	53,922
Office supplies	16,440	4,650	2,160	23,250
Program related expenses	20,277	-	-	20,277
Public relations	12,910	-	5,533	18,443
Insurance	9,829	3,630	1,232	14,691
Other expenses	10,057	1,297	2,014	13,368
Fundraising supplies and other	-	-	9,174	9,174
Depreciation expense	<u>3,425</u>	<u>914</u>	<u>228</u>	<u>4,567</u>
	<u>\$ 868,749</u>	<u>\$ 96,221</u>	<u>\$ 108,149</u>	<u>\$ 1,073,119</u>

See notes to financial statements

SilverSource, Inc.

Statement of Cash Flow
Year Ended February 28, 2018

CASH FLOW FROM OPERATING ACTIVITIES

Change in net assets	\$ 794,652
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	4,567
Realized and unrealized gain on investments	(1,451,735)
Deferred federal excise tax	(37,968)
Changes in operating assets and liabilities	
Grants receivable	(766)
Interest and dividends receivable	4,805
Other assets	6,170
Accounts payable and accrued expenses	(1,719)
Federal excise tax payable	<u>32,410</u>
Net Cash from Operating Activities	<u>(649,584)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Sale of investments	14,136,226
Purchase of investments	<u>(13,709,127)</u>
Net Cash from Investing Activities	<u>427,099</u>
Net Change in Cash and Cash Equivalents	(222,485)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>465,859</u>
End of year	<u>\$ 243,374</u>

See notes to financial statements.

SilverSource, Inc.

Notes to Financial Statements
February 28, 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 accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein, are classified and reported as unrestricted net assets, temporarily-restricted net assets and permanently-restricted net assets, as applicable.

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, 2018

2. Summary of Significant Accounting Policies (continued)

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.

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 received are recorded as unrestricted and temporarily-restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There are no permanently restricted net assets at February 28, 2018.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the appropriate programs and supporting services benefited.

SilverSource, Inc.

Notes to Financial Statements
February 28, 2018

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

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 June 20, 2018.

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 are limited.

4. Investments

Investments categorized according to the fair value hierarchy consisted of the following at February 28, 2018:

Level 1 Investments	
Mutual funds	
Equity	\$ 8,193,171
Fixed income	4,374,995
Real estate	<u>689,393</u>
Total Level 1 Investments	13,257,559
Cash held for investment, at cost	234,859
Investment in private equity fund *	<u>391,313</u>
Total Investments	<u>\$ 13,883,731</u>

(*) 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.

SilverSource, Inc.

Notes to Financial Statements February 28, 2018

4. Investments (continued)

Investment income consists of the following for the year ended February 28, 2018:

Dividends and interest	\$ 298,619
Net realized gain on sale of investments	3,338,718
Net unrealized loss on investments	<u>(1,886,983)</u>
Total income on investments	1,750,354
Investment fees	(72,225)
Federal excise tax	(34,910)
Deferred federal excise tax benefit	<u>37,968</u>
Net investment income	<u>\$ 1,681,187</u>

5. Property and Equipment

Property and equipment consists of the following at February 28, 2018:

Vehicles	\$ 14,114
Furnishings and equipment	<u>53,896</u>
	68,010
Less: accumulated depreciation	<u>(59,623)</u>
	<u>\$ 8,387</u>

6. 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 year ended February 28, 2018 is as follows:

Endowment net assets, beginning of year March 1, 2017	\$ 12,870,505
Dividends and interest	298,619
Net appreciation of investments	1,451,735
Investment fees	(72,225)
Federal excise tax (expense) benefit	<u>3,058</u>
Total Investment Return	1,681,187
Appropriation of endowment assets for expenditure	<u>(659,941)</u>
Endowment net assets, year ended February 28, 2018	<u>\$ 13,891,751</u>

SilverSource, Inc.

Notes to Financial Statements
February 28, 2018

6. Endowment *(continued)*

Investments at February 28, 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. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by CUPMIFA. There were no permanent or temporarily donor-restricted endowment funds in the year ended February 28, 2018.

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.

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.

7. 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 \$14,678 for the year ended February 28, 2018.

SilverSource, Inc.

Notes to Financial Statements
February 28, 2018

8. 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, 2018 are:

2019	\$ 56,351
2020	57,799
2021	59,247
2022	60,695
2023	<u>5,067</u>
	<u>\$ 239,159</u>

Rent expense totaled \$55,024 for the year ended 2018.

9. 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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