



SILVER KEY SENIOR SERVICES, INC.

AND

SILVER KEY SENIOR SERVICES FOUNDATION, INC.

CONSOLIDATING FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2022

ERICKSON, BROWN & KLOSTER, LLC
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Consolidating Statement of Financial Position	4
Consolidating Statement of Activities	5
Consolidating Statement of Functional Expenses	6
Consolidating Statement of Cash Flows	7
Notes to Consolidating Financial Statements	9
Additional Information	
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	32
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	35
Schedule of Findings and Questioned Costs	38



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidating financial statements of Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc. (nonprofit organizations), which comprise the consolidating statement of financial position as of June 30, 2022, and the related consolidating statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidating financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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INDEPENDENT AUDITORS' REPORT - CONTINUED

Page 2

Auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc.'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 Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc.'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.

Report on Summarized Comparative Information

We previously audited Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc.'s June 30, 2021, financial statements. In our report, dated October 21, 2021, we expressed an unmodified audit opinion on those consolidated audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Page 3

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE, on our consideration of Silver Key Senior Services, Inc.'s and Silver Key Senior Services Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Silver Key Senior Services, Inc.'s and Silver Key Senior Services Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Silver Key Senior Services, Inc.'s and Silver Key Senior Services Foundation, Inc.'s internal control over financial reporting and compliance.

Erickson, Brown and Kloster, LLC

Colorado Springs, Colorado
November 29, 2022

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
With Comparative Totals for 2021**

	ASSETS				
	Silver Key	Foundation	Eliminations	2022	2021
Current Assets					
Cash and Cash Equivalents	\$ 1,514,469	\$ -	\$ -	\$ 1,514,469	\$ 907,468
Accounts Receivable, Net	426,294	-	-	426,294	782,496
Bequests Receivable	-	-	-	-	15,000
Pledges Receivable -					
Related Party, Net	-	-	-	-	600
Due from Related Party	79,542	-	(79,542)	-	-
Other Current Assets	172,195	-	-	172,195	163,866
Total Current Assets	2,192,500	-	(79,542)	2,112,958	1,869,430
Non-current Assets					
Foundation, Investments	-	6,886,165	-	6,886,165	8,058,224
Silver Key, Board					
Designated Investments					
Operating Reserve	1,281,728	-	-	1,281,728	1,432,126
Beneficial Interest in					
Charitable Trusts	4,401,464	-	-	4,401,464	5,326,058
Property and Equipment, Net	5,580,412	-	-	5,580,412	5,398,115
Total Non-current Assets	11,263,604	6,886,165	-	18,149,769	20,214,523
Total Assets	\$ 13,456,104	\$ 6,886,165	\$ (79,542)	\$ 20,262,727	\$ 22,083,953
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable	\$ 115,274	\$ -	\$ -	\$ 115,274	\$ 144,960
Accrued Liabilities	209,482	-	-	209,482	233,529
Deferred Revenue	336,000	-	-	336,000	62,397
Notes Payable,					
Due Within a Year	67,496	-	-	67,496	17,192
Due to Silver Key	-	79,542	(79,542)	-	-
Total Current Liabilities	728,252	79,542	(79,542)	728,252	458,078
Non-current Liabilities					
Notes Payable,					
Less Current Portion	205,751	-	-	205,751	223,392
Total Liabilities	934,003	79,542	(79,542)	934,003	681,470
Net Assets					
Without Donor Restrictions					
Undesignated	5,922,877	1,920	-	5,924,797	6,561,197
Board Designated	1,281,728	-	-	1,281,728	1,432,126
Total Net Assets Without					
Donor Restrictions	7,204,605	1,920	-	7,206,525	7,993,323
With Donor Restrictions	5,317,496	6,804,703	-	12,122,199	13,409,160
Total Net Assets	12,522,101	6,806,623	-	19,328,724	21,402,483
Total Liabilities and Net Assets	\$ 13,456,104	\$ 6,886,165	\$ (79,542)	\$ 20,262,727	\$ 22,083,953

See Notes to Consolidating Financial Statements

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
With Comparative Totals for 2021**

	Silver Key			Foundation					
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	2022	2021
Revenue and Support									
Contributions and Grants	\$ 1,361,365	\$ 1,187,500	\$ 2,548,865	\$ -	\$ -	\$ -	\$ -	\$ 2,548,865	\$ 1,249,754
Contributions from Foundations	439,162	-	439,162	-	-	-	(336,601)	102,561	281,280
Contract Services	2,854,453	-	2,854,453	-	-	-	-	2,854,453	3,448,358
Program Service Fees	719,436	-	719,436	-	-	-	-	719,436	693,527
Investment Income, Net	49,716	-	49,716	-	(837,501)	(837,501)	-	(787,785)	2,176,006
In-kind Contributions	1,529,207	-	1,529,207	-	-	-	-	1,529,207	1,270,269
Change in Value of Beneficial Interest in Charitable Trusts	-	(924,594)	(924,594)	-	-	-	-	(924,594)	1,040,448
Other Income	322,042	-	322,042	-	-	-	-	322,042	282,559
Net Assets Released from Restrictions									
Satisfaction of Purpose Restrictions	375,165	(375,165)	-	336,601	(336,601)	-	-	-	-
Satisfactions of Time Restrictions	600	(600)	-	-	-	-	-	-	-
Total Revenue and Support	7,651,146	(112,859)	7,538,287	336,601	(1,174,102)	(837,501)	(336,601)	6,364,185	10,442,201
Expenses									
Program Services:									
Transportation	1,581,670	-	1,581,670	-	-	-	-	1,581,670	1,318,961
Nutrition	1,990,255	-	1,990,255	-	-	-	-	1,990,255	1,868,732
Health & Wellness	3,122,483	-	3,122,483	-	-	-	-	3,122,483	2,733,171
Thrift Store	464,832	-	464,832	-	-	-	-	464,832	381,046
Contributions to Silver Key	-	-	-	336,601	-	336,601	(336,601)	-	-
Total Program Services	7,159,240	-	7,159,240	336,601	-	336,601	(336,601)	7,159,240	6,301,910
Supporting Services:									
General and Administrative	696,533	-	696,533	-	-	-	-	696,533	696,540
Fundraising	582,171	-	582,171	-	-	-	-	582,171	502,081
Total Supporting Services	1,278,704	-	1,278,704	-	-	-	-	1,278,704	1,198,621
Total Expenses	8,437,944	-	8,437,944	336,601	-	336,601	(336,601)	8,437,944	7,500,531
Change in Net Assets	(786,798)	(112,859)	(899,657)	-	(1,174,102)	(1,174,102)	-	(2,073,759)	2,941,670
Net Assets at Beginning of Year	7,991,403	5,430,355	13,421,758	1,920	7,978,805	7,980,725	-	21,402,483	18,460,813
Net Assets at End of Year	\$ 7,204,605	\$ 5,317,496	\$ 12,522,101	\$ 1,920	\$ 6,804,703	\$ 6,806,623	\$ -	\$ 19,328,724	\$ 21,402,483

See Notes to Consolidating Financial Statements

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
With Comparative Totals for 2021**

	Program Services					Supporting Services			2022	2021
	Transportation	Nutrition	Heath & Wellness	Thrift Store	Total	General and Administrative	Fundraising	Total		
Silver Key										
Salaries	\$ 705,009	\$ 643,841	\$ 876,025	\$ 112,100	\$ 2,336,975	\$ 337,902	\$ 326,572	\$ 664,474	\$ 3,001,449	\$ 2,753,471
Payroll Taxes and Fees	101,561	81,788	103,086	15,034	301,469	36,779	32,410	69,189	370,658	271,656
Fringe Benefits	96,098	79,682	123,188	24,580	323,548	36,025	38,443	74,468	398,016	349,032
Total Personnel Costs	902,668	805,311	1,102,299	151,714	2,961,992	410,706	397,425	808,131	3,770,123	3,374,159
Client Assistance	4,790	17,963	1,392,478	193,026	1,608,257	-	39,277	39,277	1,647,534	1,438,348
Food and Packaging	-	634,653	66,809	-	701,462	-	-	-	701,462	721,387
Depreciation and Amortization	206,323	169,961	135,659	33,603	545,546	103,389	15,880	119,269	664,815	621,154
Vehicle Related Expenses	265,392	48,138	9,946	445	323,921	1,334	177	1,511	325,432	254,378
Occupancy	80,832	169,155	159,720	51,362	461,069	89,329	25,075	114,404	575,473	498,922
Professional Fees	29,530	29,796	74,092	5,183	138,601	33,181	40,353	73,534	212,135	214,377
Dues and Subscriptions	46,225	20,969	31,492	3,327	102,013	22,329	11,753	34,082	136,095	108,158
Public Relations and Marketing	7,406	25,207	43,912	7,554	84,079	1,834	10,283	12,117	96,196	51,654
Insurance	7,205	10,944	15,127	3,538	36,814	12,465	2,169	14,634	51,448	25,457
Printing, Copying and Postage	8,471	16,341	11,357	1,983	38,152	5,160	17,865	23,024	61,176	64,653
Interest	-	-	-	-	-	7,373	-	7,373	7,373	7,870
Meetings, Travel and Training	5,159	8,230	16,309	357	30,055	2,930	6,076	9,006	39,061	39,085
Recognition and Volunteers	7,445	6,975	15,086	746	30,252	2,142	2,387	4,529	34,781	33,404
Equipment and Office Supplies	7,805	23,356	47,316	7,337	85,814	2,879	6,900	9,779	95,593	37,258
Bank and Credit Card Fees	526	2,377	19	4,578	7,500	704	6,312	7,016	14,516	8,957
Miscellaneous	1,893	879	862	79	3,713	778	239	1,017	4,730	1,310
Total Expenses	1,581,670	1,990,255	3,122,483	464,832	7,159,240	696,533	582,171	1,278,703	8,437,943	7,500,531
Foundation										
Contributions to Silver Key	-	-	-	-	336,601	-	-	-	336,601	319,789
Eliminations	-	-	-	-	(336,601)	-	-	-	(336,601)	(319,789)
Total Expenses - 2022	\$ 1,581,670	\$ 1,990,255	\$ 3,122,483	\$ 464,832	\$ 7,159,240	\$ 696,533	\$ 582,171	\$ 1,278,704	\$ 8,437,944	
Percent of Total - 2022	19%	24%	37%	6%	86%	7%	7%	14%	100%	
Total Expenses - 2021	\$ 1,318,961	\$ 1,868,732	\$ 2,733,171	\$ 381,046	\$ 6,301,910	\$ 696,540	\$ 502,081	\$ 1,198,621		\$ 7,500,531
Percent of Total - 2021	19%	25%	36%	5%	85%	8%	7%	16%		100%

See Notes to Consolidating Financial Statements

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
With Comparative Totals for 2021**

	<u>Silver Key</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>2022</u>	<u>2021</u>
Cash Flows from Operations					
Change in Net Assets	\$ (899,657)	\$ (1,174,102)	\$ -	\$ (2,073,759)	\$ 2,941,670
Adjustments to Arrive at Net Cash Provided by Operating Activities:					
Depreciation and Amortization	664,815	-	-	664,815	621,154
Loss on Disposal of Property and Equipment	6,946	-	-	6,946	29,628
Change in Beneficial Interest in Charitable Trusts	924,594	-	-	924,594	(1,040,448)
Net Realized and Unrealized Loss (Gain) on Investments	250,888	1,172,059	-	1,422,947	(1,784,404)
In-Kind Contribution	-	-	-	-	(3,700)
Contribution of Stock	-	-	-	-	(10,236)
Decrease (Increase) in Operating Assets:					
Accounts Receivable, Net	356,201	-	-	356,201	(373,949)
Bequests Receivable	15,000	-	-	15,000	(15,000)
Pledges Receivable - Related Party, Net	600	-	-	600	-
Due from Related Party	(2,043)	-	2,043	-	-
Other Current Assets	(8,329)	-	-	(8,329)	(79,026)
Other Assets	-	-	-	-	1,829
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	(29,686)	-	-	(29,686)	(62,319)
Accrued Liabilities	(24,047)	-	-	(24,047)	63,525
Deferred Revenue	(62,397)	-	-	(62,397)	(58,848)
Due to Silver Key	-	2,043	(2,043)	-	-
Net Cash Provided by Operations	<u>1,192,885</u>	<u>-</u>	<u>-</u>	<u>1,192,885</u>	<u>229,876</u>
Cash Flows from Investing Activities					
Purchase of Property and Equipment	(854,058)	-	-	(854,058)	(578,744)
Proceeds From Disposition of Property and Equipment	-	-	-	-	508
Proceeds from Sale of Investments	42,902	-	-	42,902	415,130
Purchase of Investments	<u>(143,392)</u>	<u>-</u>	<u>-</u>	<u>(143,392)</u>	<u>(179,329)</u>
Net Cash Used by Investing Activities	<u>(954,548)</u>	<u>-</u>	<u>-</u>	<u>(954,548)</u>	<u>(342,435)</u>
Cash Flows from Financing Activities					
Proceeds from Note Payable	50,000	-	-	50,000	-
Payments on Note Payable	<u>(17,336)</u>	<u>-</u>	<u>-</u>	<u>(17,336)</u>	<u>(66,688)</u>
Net Cash Provided (Used) by Financing Activities	<u>32,664</u>	<u>-</u>	<u>-</u>	<u>32,664</u>	<u>(66,688)</u>
Net Change in Cash and Cash Equivalents	<u>271,001</u>	<u>-</u>	<u>-</u>	<u>271,001</u>	<u>(179,247)</u>
Beginning Cash and Cash Equivalents	<u>907,468</u>	<u>-</u>	<u>-</u>	<u>907,468</u>	<u>1,086,715</u>
Ending Cash and Cash Equivalents	<u>\$ 1,178,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,178,469</u>	<u>\$ 907,468</u>

Continued on Next Page

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
With Comparative Totals for 2021**

Continued from Previous Page

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES

	<u>Silver Key</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>2022</u>	<u>2021</u>
Cash Paid for Interest	\$ 7,373	\$ -	\$ -	\$ 7,373	\$ 7,870
In-kind Contributions	\$ 1,529,207	\$ -	\$ -	\$ 1,529,207	\$ 1,270,269

See Notes to Consolidating Financial Statements

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Activities – Silver Key Senior Services, Inc. ("Silver Key") is a nonprofit organization formed in 1970 dedicated to serving seniors in El Paso County, Colorado. Services are provided with the goals of promoting independence, self-sufficiency, independent living, fulfilling basic and social needs, relieving the many challenges of aging, and preserving the dignity and self-respect of older adults.

Silver Key Senior Services Foundation, Inc. ("Foundation") was established in 1997 and operates exclusively for the benefit of Silver Key. The Foundation's primary purpose is to raise, invest, and manage donations, which are primarily permanently restricted by donors.

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

Silver Key Community Service – Community Services feature Nutrition programs and Reserve & Ride Transportation services.

Home Delivered Meals, including Meals on Wheels - Freshly prepared meals are conveniently brought to Silver Key clients at their home by friendly volunteers three or five days a week, with re-heatable meals available for the weekend. Senior clients, caregivers or family members can arrange for and benefit from Silver Key's delivered meals programs. This nutritious and affordable meal delivery service is especially valuable for caregivers or family members who may be working, living out of town or unable to be there for their senior loved ones every day. Silver Key is the area's Meals on Wheels provider, made possible through funding support from grants and community donations. With healthy food seven days a week, aging in place has never been easier! During the year ending June 30, 2022, Silver Key provided a total of 55,000 delivered meals through both programs.

Silver Key Connections Café – Silver Key provides food, friendship, and fun for anyone at fourteen Silver Key Connections Café sites throughout the community, including one in Woodland Park. Visitors under 60 years in age are asked to pay \$7.50 per meal. Hot, healthy meals in a social setting plus monthly nutritional education information help keep older adults engaged. During the year ending June 30, 2022, Silver Key provided over 190,000 meals.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Transportation services were curtailed during the height of COVID-19 lock down, gradually rescheduled as safety protocols allowed and as clients were able to schedule medical appointments and feel safer being out of the homes to grocery shop and interact with family and friends. During the year ended June 30, 2022, Silver Key provided 30,000 rides.

Silver Key Health & Wellness – The Silver Key Health & Wellness services focus on Behavioral Health, Companionship, Case Management, and the Food Pantry.

Behavioral Health services include compassionate assessments, counseling, crisis stabilization, case management, and training to seniors and their families struggling with depression, anxiety, grief, substance misuse, and memory loss. Holistic assessments are completed with each client served, to identify and resolve barriers to their continued independence and safety. Silver Key also provide Housing and Resource Navigation services, and provides assistance with rent, utilities, medical expenses, benefit applications, food, transportation, and budget coaching. Silver Key also provides Five Wishes Advance Care Planning Services. Through Silver Key's lead role in the Community Senior Assistance Program (CSAP), Mental Health First Aid Training is also available in partnership with NAMI/Colorado Springs. Many services are coordinated with different agencies in El Paso County and are targeted to help seniors achieve stability and maintain independence. Silver Key also offers clients compassionate and caring options to serve and support seniors in a variety of ways. During the year ended June 30, 2022, Silver Key Case Managers served 2,964 clients. The Silver Line, Silver Key's centralized call center, received over 39,800 calls.

Silver Key Food Pantry distributes food assistance to help seniors stretch their nutrition dollars by supplementing their diets with a variety of foods. Seniors who qualify for federal assistance with groceries each month are assisted through the CSFP (Commodity Supplemental Food Program) and TEFAP (The Emergency Food Assistance Program). Foundation grants and donations also supplement the food items distributed through the Food Pantry. Silver Key also provides food and assistance in a temporary emergency situation. Silver Key's Food Pantry is the largest of its kind in southern Colorado. Since March 2020 due to COVID-19 restrictions, Silver Key developed new systems for distributing Food Pantry items: express lane curbside picking and home deliver utilizing our Reserve & Ride drivers and fleet. Over 1,600 people benefitted from Silver Key's pantry during the year ended June 30, 2022, representing 1,248,645 pounds of food.

Companionship services include Guardianship, Power of Attorney (POA), Veteran's support and Reassurance +.

Guardianship and Power of Attorney Services are for seniors who need someone to act on their behalf with medical decisions. Silver Key serves as Guardian by court appointment for seniors, whom the court has deemed unable to make safe decisions, providing comprehensive, personalized care management services and advocacy. During the year ended June 30, 2022, Silver Key provided Guardianship care for 30 clients.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Silver Key's V.E.T.S. (Veterans Engagement Togetherness Support) program provides volunteer companionship to senior Veterans and spouses in need of assistance, so they remain living independently, in their own home and community, for as long as possible. This program's mission is to provide low-cost companionship to senior veterans in need of extra assistance, so they remain living independently, in their own home and community, for as long as possible. This program began in 2018 through the Veterans Administration "Choose Home Initiative" in partnership with AmeriCorps Seniors when Silver Key was selected to participate in a national pilot program.

Reassurance+ provides comforting companionship, digital connection, and a hot meal to seniors, to help them remain independent with dignity, in their own residence for as long as possible. Benefits for seniors include assistance with light daily tasks, quick errands, safety check for their well-being, periodic phone calls, promoting contact with family and friends, and bringing unmet needs to the attention of community services and/or Silver Key staff. During the year ended June 30, 2022, Silver Key provided care for 40 clients.

Silver Key Friends Thrift Store - Community donations and purchases of gently used items, at the Silver Key Friends Thrift Store, support Silver Key's mission. The store also features a specialty Home Medical Equipment Department for clean, used wheelchairs, canes, and other mobility aids. Silver Key provides vouchers for the Silver Key Friends Thrift Store through Senior Assistance. Increased marketing efforts focused on the Thrift Store this past year have resulted in a significant upturn in donations and sales. During the year ending June 30, 2022, Silver Key Friends Thrift Store sales and cash donations were \$196,434.

Volunteer Impact Program (V.I.P.) - Silver Key's Volunteer Impact Program (V.I.P.) focuses on new and innovative ways for people to engage at every age. This service emphasizes volunteer engagement opportunities, health and wellness, civic engagement, and lifelong learning to develop skills, knowledge and participation leading to increased community, life satisfaction and well-being for senior veterans and aging adults. During the year ending June 30, 2022, over 46,068 total service hours were logged by 532 unique volunteers with a total value of \$1,379,736.

Principles of Consolidation - The consolidating financial statements include the accounts of Silver Key and the Foundation (collectively referred to as the "Organization"). The Foundation is presented on a consolidating basis since Silver Key has controlling interest with respect to the Foundation. All material interorganizational transactions are eliminated to present the consolidated total amounts.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - The consolidating financial statement presentation follows the recommendations of accounting principles generally accepted in the United States of America ("US GAAP"). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations at management's discretion and investment in property and equipment; donor restricted net assets that are temporary in nature, which represent resources restricted by donors as to purpose or by the passage of time; and donor restricted net assets that are perpetual in nature, which represent resources for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

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

The Organization maintains its cash and equivalents in bank deposit accounts that, at times, may exceed the federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization does not anticipate nonperformance by these financial institutions.

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

Accounts Receivable - Accounts receivable are stated at the invoiced amounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Silver Key monitors outstanding balances and establishes an allowance for doubtful accounts, as required. Accounts receivable are anticipated to be received within a year.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Silver Key participates in the Colorado Department of Transportation ("CDOT") program to provide transportation services to older adults.

Compensation Absence - Employees of Silver Key earn a vested right to compensation for unused paid time off. Accordingly, Silver Key has made an accrual for paid time off those employees have earned, but not taken.

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Contract services represent revenue earned under contracts in which Silver Key bills and collects. Contract services revenue results from providing (1) transportation, (2) home delivered and congregate meals, or (3) health and wellness services to eligible individuals at specified reimbursement rates. Although Silver Key expects contract service balances to result in cash flows, in some instances the reimbursing agency has the ability to dispute or adjust reimbursement requests. Historical collection experience indicates it is unlikely the adjustments would be material, therefore, no allowance for uncollectable accounts is considered necessary. Consideration from contract service arrangements is variable in nature because fees are based on elements which can vary from period to period. Transportation, nutrition, and health and wellness services provided to eligible individuals and related procedures qualify as distinct goods and services, in a single instance of service, and thereby constitute a single performance obligation and occur at readily determinable transaction prices. As a practical expedient, Silver Key adopted a portfolio approach for the contract services revenue stream to group contracts with similar characteristics and analyze historical cash collection trends. The contracts within the portfolio share the characteristics conducive to ensuring that the results do not materially differ under the new standard if it were to be applied to individual rider contracts related to each transit encounter.

Program service fees represent revenue earned under contracts in which Silver Key bills and collects, as well as thrift store sales. Fees for service revenue results from providing (1) transportation to uninsured (self-pay) riders, (2) nutritional services to uninsured (self-pay) clients, (3) health and wellness services, or (4) thrift store and medical equipment sales. Although Silver Key expects transit, nutritional, and health and wellness services balances to result in cash flows, in some instances the rider or client is unable to remit fully the balance due. Silver Key has the ability to offer discounts to settle rider and client balances. Historical collection experience indicates it is unlikely the adjustments would be material, therefore, no allowance for uncollectable accounts is considered necessary. Consideration from fees for service arrangements is variable in nature because fees are based on elements which can vary from period to period. Transportation, nutritional, and health and wellness services provided to uninsured (self-pay) clients qualifies as a distinct good and service, in a single instance of service, and thereby constitute a single performance obligation and occur at readily determinable transaction prices. As a practical expedient, Silver Key adopted a portfolio approach for the fees for service revenue stream to group contracts with similar characteristics and analyze historical cash collection trends. The contracts within the portfolio share the characteristics conducive to ensuring that the results do not materially differ under the new standard if it were to be applied to individual client contracts related to each transit, nutritional, or health and wellness encounter.

In-kind Contributions - The consolidating financial statements reflect the estimated fair value for donated services that create or enhance nonfinancial assets or require specialized skills, are performed by people possessing those skills, and would have been purchased by the Organization if they had not been donated. Donated materials are recorded in the consolidating financial statements at their estimated fair value on the date of receipt.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Silver Key receives a significant amount of food that is designated by strict federal guidelines for recipients of two federal food programs for which Silver Key is a distribution site. Silver Key acts as an agent since it has no discretion to choose who will receive the donated food. Accordingly, Silver Key's policy is to not record the receipt or distribution of the food in the consolidating financial statements.

Silver Key relies on hundreds of volunteers each month to expand their ability to support and serve clients while providing companionship and social support that is at the core of all services. Volunteers numbering over 500 providing over 46,000 hours of donated services for the year ended June 30, 2022, with a value of over \$1.3 million – the equivalent of 21-23 full time equivalent employees. These volunteer hours were not recognized in the accompanying consolidating financial statements because they did not meet the criteria for recognition under current US GAAP.

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

Advertising – Advertising costs are expensed as incurred. Advertising costs for the year ended June 30, 2022 totaled \$77,932.

Income Taxes - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and comparable Colorado law as a charitable organization, whereby only unrelated business income, as defined by Section 509(a)(2) of the Code, is subject to Federal and Colorado income tax. For the year ended June 30, 2022, the Organization had no unrelated business income. Accordingly, no provision for income taxes has been recorded. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization evaluates the effect of uncertain income tax positions, if any, and provides for those positions in accordance with the provisions of US GAAP. The Organization discloses any material adjustments as a result of tax examinations. The Organization reports interest and penalties resulting from these adjustments as interest expense and other expenses, as applicable. There were no income tax examinations or adjustments relating therefrom for the year ended June 30, 2022. The Organization's informational tax returns are subject to examination by taxing authorities for a period of three years from the date it is filed. As of June 30, 2022, the informational tax returns for the three prior years are considered open for Internal Revenue Service examination.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Concentrations - The Organization has significant investments in stocks, mutual funds, bonds, and tax-exempt bonds, and is, therefore, subject to credit risk. Investments are made by investment managers engaged by the Organization and the investments are monitored by the Organization. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

For the year ended June 30, 2022, the Organization received approximately 36% of its total support and revenue from the Pikes Peak Area Council of Government ("PPACG"). As of June 30, 2022, the Organization had approximately 72% of its accounts receivable balance due from the PPACG.

Comparative Financial Information – The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

NOTE 1 – AVAILABILITY AND LIQUIDITY

The Organization has \$1,954,030 of financial assets available within one year of the balance sheet date. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The receivables are subject to time restrictions but will be collected within one year.

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses, approximately \$1.3 million. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. The Organization has a \$750,000 line of credit available to meet cash flow needs.

The following reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available to meet general expenditures within one year of the statement of financial position date because of internal board designations, contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include a board-designated operating reserve not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

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

NOTE 1 – AVAILABILITY AND LIQUIDITY - Continued

Financial Assets at Year End:

Cash and Cash Equivalents	\$ 1,514,469
Accounts Receivable	426,294
Trusts Receivable (Other Assets)	<u>13,267</u>

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

\$ 1,954,030

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consist of:

Accounts Receivable	\$ 426,954
Less Allowance for Doubtful Accounts	<u>(660)</u>
Net Accounts Receivable	<u><u>\$ 426,294</u></u>

NOTE 3 - INVESTMENTS

Investments are made in accordance with the Organization's investment policy and consist of the following at June 30, 2022:

	<u>Silver Key</u>	<u>Foundation</u>	<u>Total</u>
Cash and Equivalents	\$ 17,194	\$ 170,378	\$ 187,572
Stock	223,131	969,445	1,192,576
Exchange Traded Funds	285,046	1,810,808	2,095,854
Mutual Funds	554,238	3,001,352	3,555,590
Corporate Bonds	197,007	913,735	1,110,742
Other	<u>5,112</u>	<u>20,447</u>	<u>25,559</u>
	<u><u>\$ 1,281,728</u></u>	<u><u>\$ 6,886,165</u></u>	<u><u>\$ 8,167,893</u></u>

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

NOTE 3 – INVESTMENTS - Continued

For the year ended June 30, 2022, investment income (loss) is summarized as follows:

	<u>Silver Key</u>	<u>Foundation</u>	<u>Total</u>
Interest Income Earned on Cash at			
Financial Institutions and Other Interest Income	\$ 24	\$ 20,931	\$ 20,955
Interest and Dividend Income and Investments	51,058	269,057	320,115
Net Realized and Unrealized Loss on Investments	(189,927)	(1,079,375)	(1,269,302)
Investment Income from Beneficial			
Interest in Charitable Trusts	196,546	-	196,546
Investment fees	(7,985)	(48,114)	(56,099)
	<u>\$ 49,716</u>	<u>\$ (837,501)</u>	<u>\$ (787,785)</u>

NOTE 4 - BENEFICIAL INTEREST IN CHARITABLE TRUSTS

Silver Key is an income beneficiary of nine separate trusts whose principal is held in financial institutions in perpetuity. Silver Key's share of the fair value of the trusts totaled \$4,401,464 as of June 30, 2022.

Included in the nine beneficial interest trusts are five for which corpus eventually transfers to Silver Key and, accordingly, are temporarily restricted as follows:

Silver Key is an income and principal beneficiary of a trust whose principal is held at a financial institution. The trust makes income distributions to Silver Key and other beneficiaries during the lives of those other beneficiaries of the trust.

Upon the death of such beneficiaries, Silver Key will receive 20% of the assets of the trust. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key has recorded a beneficial interest in the trust of \$232,043 as of June 30, 2022.

Silver Key is an income and principal beneficiary of a trust whose principal is held at a financial institution. The trust makes income distributions to Silver Key and other beneficiaries during the lives of those other beneficiaries of the trust. Upon the death of such beneficiaries, Silver Key will receive one-third of the assets of the trust. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key has recorded a beneficial interest in the trust of \$90,237 as of June 30, 2022.

Silver Key is an income and principal beneficiary of a trust whose principal is held at a financial institution. The trust makes income distributions to Silver Key and other beneficiaries during the lives of those other beneficiaries of the trust. Upon the death of such beneficiaries, Silver Key will receive 10% of the assets of the trust. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key has recorded a beneficial interest in the trust of \$8,122 as of June 30, 2022.

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

NOTE 4 - BENEFICIAL INTEREST IN CHARITABLE TRUSTS - Continued

Silver Key is an income and principal beneficiary of a trust whose principal is held at a financial institution. The trust makes income distributions to Silver Key and other beneficiaries during the lives of those other beneficiaries of the trust. Upon the death of such beneficiaries, Silver Key will receive 50% of the assets of the trust. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key has recorded a beneficial interest in the trust of \$167,797 as of June 30, 2022.

Silver Key is an income and principal beneficiary of a trust whose principal is held at a financial institution. The trust makes income distributions to Silver Key and other beneficiaries during the lives of those other beneficiaries of the trust. Upon the death of such beneficiaries, Silver Key will receive 35% of the assets of the trust. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key has recorded a beneficial interest in the trust of \$493,042 as of June 30, 2022.

Silver Key received \$196,546 of investment income from these trusts for the year ended June 30, 2022.

NOTE 5 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

US GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the term "price" refers to the exit price as opposed to the entry price, which is the price paid to acquire the asset or received to assume the liability. US GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Organization has no assets or liabilities valued using Level 3 inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for the Organization's assets measured at fair value as of June 30, 2022.

Fixed income mutual funds and equities: Valued at quoted prices for identical assets in active markets.

U.S. government obligations, corporate obligations, preferred securities, alternative investments, REITs, and real estate funds: Valued at quoted prices for similar assets in active markets.

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

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

Beneficial interest in perpetual trusts: valued at quoted prices for underlying assets discounted to present value of benefits expected.

The preceding methods described may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured on a recurring basis at fair value as of June 30, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Silver Key				
Cash and Equivalents	\$ 17,194	\$ 17,194	\$ -	\$ -
Stocks	223,131	223,131	-	-
Exchange Traded Funds	285,046	285,046	-	-
Mutual Funds	554,238	554,238	-	-
Corporate Bonds	197,007	197,007	-	-
Other	5,112	5,112	-	-
Beneficial Interest in Charitable Trusts	4,401,464	-	4,401,464	-
Total	<u>\$ 5,683,192</u>	<u>\$ 1,281,728</u>	<u>\$ 4,401,464</u>	<u>\$ -</u>
Foundation				
Cash and Equivalents	\$ 170,378	\$ 170,378	\$ -	\$ -
Stocks	969,445	969,445	-	-
Exchange Traded Funds	1,810,808	1,810,808	-	-
Mutual Funds	3,001,352	3,001,352	-	-
Corporate Bonds	913,735	913,735	-	-
Other	20,447	20,447	-	-
Total	<u>\$ 6,886,165</u>	<u>\$ 6,886,165</u>	<u>\$ -</u>	<u>\$ -</u>
Silver Key and Foundation Totals				
Cash and Equivalents	\$ 187,572	\$ 187,572	\$ -	\$ -
Stocks	1,192,576	1,192,576	-	-
Exchange Traded Funds	2,095,854	2,095,854	-	-
Mutual Funds	3,555,590	3,555,590	-	-
Corporate Bonds	1,110,742	1,110,742	-	-
Other	25,559	25,559	-	-
Beneficial Interest in Charitable Trusts	4,401,464	-	4,401,464	-
Total	<u>\$ 12,569,357</u>	<u>\$ 8,167,893</u>	<u>\$ 4,401,464</u>	<u>\$ -</u>

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

NOTE 6 - PROPERTY AND EQUIPMENT

Silver Key's property and equipment consists of the following as of June 30, 2022:

Land	\$ 716,799
Building and Improvements	5,141,336
Construction in Progress	192,021
Vehicles	1,790,383
Office and Other Equipment	1,395,037
	<u>9,235,576</u>
Less Accumulated Depreciation	<u>(3,655,164)</u>
	<u><u>\$ 5,580,412</u></u>

Depreciation and amortization expense for the year ended June 30, 2022, totaled \$664,815.

NOTE 7 - LINE OF CREDIT

On April 15, 2020, Silver Key entered into a line of credit agreement with a local credit union in the amount of \$750,000. The line of credit is secured by real estate and assignment of rents, held by Silver Key. Borrowings under the line of credit bear interest at 4.00% per annum. The line of credit matures on April 1, 2030. As of June 30, 2022, there was no outstanding balance on the line of credit.

NOTE 8 - NOTE PAYABLE

Silver Key has a note payable to a financial institution with a balance of \$223,247 as of June 30, 2022. The note bears a variable interest ranging from 3.125% to 4.500% per annum, is payable in monthly installments, is secured by real property and assignment of rents, and requires minimum liquidity of \$500,000. The note payable maturities are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 17,496	\$ 7,549	\$ 25,045
2024	17,627	8,077	25,704
2025	18,360	7,344	25,704
2026	19,124	6,580	25,704
2027	20,654	5,166	25,820
2028-2033	129,986	18,545	148,531
	<u>\$ 223,247</u>	<u>\$ 53,261</u>	<u>\$ 276,508</u>

Interest expense for the year ended June 30, 2022, totaled \$7,373.

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

NOTE 8 - NOTE PAYABLE - Continued

A note bearing interest of 2.5% per annum which will accrue interest, fees, costs and charges and be due when the Organization received first construction financing for construction project. The Organization is not required to make any payments until that time. If the Organization does not receive CHFA LIHTC construction financing by December 31, 2023 the entire principal balance of this Note, together with accrued interest, fees, costs and charges, if any will be forgiven and/or considered paid in full by the Holder. As of June 30, 2022 the unpaid balance shows in current notes payable was \$50,000.

NOTE 9 - BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

It is the policy of the boards of directors of the Organization to review plans for future needs and to designate appropriate sums to assure adequate financing for the needs identified. Amounts designated by the boards of directors for specific future needs are treated as board designated net assets without donor restrictions. The balances can be transferred to the undesignated portion of net assets without donor restrictions at the boards' discretion. As of June 30, 2022, Silver Key had \$1,281,728 of net assets without donor restrictions designated for operating reserve.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions that are temporary in nature consist of the following as of June 30, 2022:

	<u>Silver Key</u>	<u>Foundation</u>	<u>Total</u>
Beneficial Interest in Charitable Trusts	\$ 991,241	\$ -	\$ 991,241
Other	916,032	-	916,032
Endowment for Future Operations	<u>-</u>	<u>174,164</u>	<u>174,164</u>
	<u>\$ 1,907,273</u>	<u>\$ 174,164</u>	<u>\$ 2,081,437</u>

Net assets with donor restrictions that are perpetual in nature consist of the following as of June 30, 2022:

	<u>Silver Key</u>	<u>Foundation</u>	<u>Total</u>
Beneficial Interest in Charitable Trusts	\$ 3,410,223	\$ -	\$ 3,410,223
Endowment for Future Operations	<u>-</u>	<u>6,630,539</u>	<u>6,630,539</u>
	<u>\$ 3,410,223</u>	<u>\$ 6,630,539</u>	<u>\$ 10,040,762</u>

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

NOTE 11 - ENDOWMENT FUNDS

The Organization's endowment consists of both donor-related endowment funds and funds designated by the boards of directors to function as endowments. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

NOTE 11 - ENDOWMENT FUNDS - Continued

Endowment net asset composition by type of fund as of June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Silver Key			
Board Designated Endowment	\$ 1,281,728	\$ -	\$ 1,281,728
Foundation			
Donor-restricted Endowment Funds	\$ -	\$ 6,804,703	\$ 6,804,703
Unrestricted Endowment Funds	1,920	-	1,920
	<u>\$ 1,920</u>	<u>\$ 6,804,703</u>	<u>\$ 6,806,623</u>
Total			
Board Designated Endowment	\$ 1,281,728	\$ -	\$ 1,281,728
Donor-restricted Endowment Funds	-	6,804,703	6,804,703
Unrestricted Endowment Funds	1,920	-	1,920
	<u>\$ 1,283,648</u>	<u>\$ 6,804,703</u>	<u>\$ 8,088,351</u>

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

NOTE 11 - ENDOWMENT FUNDS - Continued

Changes in endowment net assets for the year ended June 30, 2022, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Silver Key			
Board Designated			
Endowment Net Assets - Beginning of Period	\$ 1,432,126	\$ -	\$ 1,432,126
Investment Return:			
Investment Income	47,514	-	47,514
Net Loss			
(Realized and Unrealized)	(189,927)	-	(189,927)
Investment Fees	(7,985)	-	(7,985)
Total Investment Loss	(150,398)	-	(150,398)
Board Designated			
Endowment Net Assets - End of Period	\$ 1,281,728	\$ -	\$ 1,281,728
Foundation			
Endowment Net Assets - Beginning of Period	\$ 1,920	\$ 7,978,805	\$ 7,980,725
Investment Return:			
Investment Income	-	265,761	265,761
Net Loss			
(Realized and Unrealized)	-	(1,079,375)	(1,079,375)
Investment Fees	-	(48,114)	(48,114)
Total Investment Loss	-	(861,728)	(861,728)
Amounts Appropriated to Expenditures	-	(312,374)	(312,374)
	-	(312,374)	(312,374)
Endowment Net Assets - End of Period	\$ 1,920	\$ 6,804,703	\$ 6,806,623

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor specified period as well as board-designated funds.

Under this policy, the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk.

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

NOTE 11 - ENDOWMENT FUNDS – Continued

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has an endowment spending policy that defines the total funds available from the endowment fund in a given year (the distributable income) as 4.75%, effective January 1, 2021, of the endowment fund's monthly average market value over the preceding three years. The distributable income is paid quarterly.

NOTE 12 – ALLOCATION OF FUNCTIONAL EXPENSES

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

NOTE 13 – DONATED PROFESSIONAL SERVICES AND MATERIALS

The Organization received donated professional services and materials as follows during the year ended June 30, 2022:

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Professional Fees	\$ -	\$ -	\$ 32,029	\$ 32,029
Pantry Client Assistance (Food)	1,457,902	-	39,276	1,497,178
	<u>\$ 1,457,902</u>	<u>\$ -</u>	<u>\$ 71,305</u>	<u>\$ 1,529,207</u>

In valuing the nonfinancial contributed services, the estimated fair value was used based on what the Organization would have been invoiced from the donor.

The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products within the United States.

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

NOTE 14 - COMMITMENTS

Retirement Plan - Silver Key sponsors a 401(k)-profit sharing plan (the "Plan") for eligible participants as defined in the Plan. Participants are allowed to contribute a percentage of their salary up to the maximum amount permitted by the Internal Revenue Code. During the year ended June 30, 2022, the Organization made contributions to the Plan in the amount of \$70,761.

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

NOTE 15 - LEASE AGREEMENTS

The Organization leases office space to various unrelated parties. Initial lease terms are generally 24 months with options to extend and require monthly base rent as well as the tenant's proportionate share of common area expenses. Expected future minimum payments to be received on non-cancelable leases are as follows:

Years Ending June 30,	Minimum Payments
2023	\$ 109,409
2024	91,018
2025	77,304
	<u>\$ 277,731</u>

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

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

Years Ending June 30,	Minimum Payments
2023	\$ 12,871
2024	9,653
Total	<u>\$ 22,524</u>

Lease expense for the year ended June 30, 2022, was approximately \$12,900.

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

NOTE 16 - RELATED PARTY TRANSACTIONS

As of June 30, 2022, Silver Key has a distribution receivable from the Foundation totaling \$79,542. During the year ended June 30, 2022, distributions from the Foundation to Silver Key totaled \$336,601. These balances and amounts are eliminated as a result of the consolidating of the two entities.

NOTE 17 – CONTINGENCY

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

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

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditor's Report date, the date on which the consolidating financial statements were available to be issued.

ADDITIONAL INFORMATION

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor / Program Title or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	From Direct Awards	From Pass-through Awards	Total
Department of Health and Human Services					
Passthrough from Pikes Peak Area Council of Governments Aging Cluster					
Special Programs for the Aging - Title III, part B, Grants for Supportive Services and Senior Centers	93.044	SK1819-002	\$ -	\$ 217,365	\$ 217,365
Special Programs for the Aging - Title III, part C, Nutritional Services	93.045	SK1819-002	-	864,191	864,191
COVID-19: Special Programs for the Aging - Title III, part C, Nutritional Services	93.045	SK1819-002	-	60,000	60,000
Nutrition Services Incentive Program	93.053	SK1819-002	-	94,922	94,922
Total Aging Cluster			-	1,236,478	1,236,478
Total Department of Health and Human Services			-	1,236,478	1,236,478
Department of Transportation					
Passthrough from Federal Transit Administration - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CO-2021-015-00	-	347,640	347,640
Corporation for National and Community Services					
Senior Demonstration Program	94.017	18SDWCO002	-	22,910	22,910
Retired and Senior Volunteer Program	94.002	21SRDCO011	-	74,676	74,676
Total Corporation for National and Community Services			-	97,586	97,586

Continued on Next Page

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Continued from Previous Page

Federal Grantor / Program Title or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	From Direct Awards	From Pass-through Awards	Total
Department of Housing and Urban Development					
Passthrough from El Paso County and City of Colorado Springs Community Development Block Grants/Entitlement Grants	14.218	N/A	-	435,552	435,552
United States Department of Agriculture					
Passthrough from Care and Share - Food Distribution (Noncash)					
Commodity Supplemental Food Program	10.565	N/A	-	372,764	372,764
The Emergency Food Assistance Program (Food Commodities)	10.569	N/A	-	588,622	588,622
Total United States Department of Agriculture: Food Distribution Cluster			-	961,386	961,386
Total Expenditures of Federal Awards			\$ -	\$ 3,078,642	\$ 3,078,642

See Notes to Schedule of Expenditures of Federal Awards

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal award activity of Silver Key Senior Services, Inc.'s and Silver Key Senior Services Foundation, Inc.'s (collectively, the "Organization") under programs of the federal government for the year ended June 30, 2022. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including city, county, and district portions, are more than shown.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidating financial statements of Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc. (a nonprofit organization) (collectively the "Organization") which comprise the consolidating statement of financial position as of June 30, 2022, and the related consolidating statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidating financial statements, and have issued our report thereon dated November 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidating financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidating financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies.

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Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidating financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Erickson, Brown & Kloster, LLC

Colorado Springs, Colorado

November 29, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Silver Key Senior Services, Inc.'s and Silver Key Senior Services Foundation, Inc.'s (collectively the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify

all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Erickson, Brown & Kloster, LLC

Colorado Springs, Colorado

November 29, 2022

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Type of Auditors' Report Issued on Compliance for Major Programs:	Unmodified
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Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 2 CFR Section 200.516(a)?	No
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Identification of Major Programs

a. Aging Cluster (CFDA 93.044, 93.045 and 93.053)

Dollar Threshold Used to Determine Between type A and B Programs:	\$	750,000
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Auditee Qualified as a Low-risk Auditee?	No
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2. FINANCIAL STATEMENT FINDINGS

The audit disclosed no findings required to be reported.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The audit disclosed no findings required to be reported.

4. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Finding 2021-001: Department of Health and Human Services:

Aging Cluster: CFDA 93.044, 93.045, 93.053

Significant Deficiency: Improper Costs Allocated to Reimbursable Grant

Condition: The finding was a significant deficiency regarding costs not approved by the grantor PPACG being included in cost reimbursements.

Recommendation: The auditors' recommended written policies and procedures should be implemented to determine when there is a change in cost methodology, computation, description, or other that needs to be approved by grantors.

Current Status: The recommendation was adopted in FY 2022 and monitoring of allowable costs in cost reimbursements. No similar finding were noted in the June 30, 2022 audit.