

SENIOR SERVICES, INC. AND SUBSIDIARY

Consolidated Financial Statements

June 30, 2020

TABLE OF CONTENTS

Independent Auditors' Report.....	2 - 3
Consolidated Statement of Financial Position.....	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements.....	8 - 21
Schedule of Federal and State Awards	22
Notes to Schedule of Federal and State Awards	23
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>	24 - 25
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	26 - 27
Schedule of Findings and Questioned Costs.....	28 - 29
Schedule of Prior Audit Findings.....	30

Board of Directors
Senior Services, Inc. and Subsidiary
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Senior Services, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Senior Services, Inc. and Subsidiary as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters- Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of federal and state 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* and by the Office of the State Auditor, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 January 4, 2021 on our consideration of Senior Services, Inc. and Subsidiary'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 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 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 Senior Services, Inc. and Subsidiary's internal control over financial reporting and compliance.

Correction of Error

As discussed in Note R to the consolidated financial statements, certain errors relating to previously reported net assets were discovered during the current year. Our opinion was not modified with respect to that matter.

Butler & Burke LLP

Winston-Salem, North Carolina
January 4, 2021

SENIOR SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS

Cash and cash equivalents	\$ 2,447,178
Certificates of deposit	726,676
Promises to give, net	239,187
Grants receivable	445,486
Program accounts receivable, net	218,977
Land lease receivable	73,302
Other receivables	67,335
Prepaid expenses	43,249
Assets held for resale	20,488
Property and equipment, net	5,489,773
Endowment: Investments	4,350,658
Beneficial interests in assets held by others	<u>672,639</u>
<u>TOTAL ASSETS</u>	<u>\$ 14,794,948</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 443,037
Deferred revenue	21,177
Capital lease obligations	61,751
Loan payable	<u>979,700</u>
<u>Total Liabilities</u>	<u>1,505,665</u>

Net Assets

Without donor restrictions	
Board designated	1,299,603
Undesignated	<u>7,120,944</u>
	8,420,547
With donor restrictions	<u>4,868,736</u>
<u>Total Net Assets</u>	<u>13,289,283</u>

<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 14,794,948</u>
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SENIOR SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grant income	\$ 2,098,409	\$ 105,000	\$ 2,203,409
Foundation support	243,759	-	243,759
Contributions	1,525,792	533,135	2,058,927
In-kind contributions	114,167	-	114,167
Program fees	1,490,907	-	1,490,907
Miscellaneous income	86,387	-	86,387
Interest and investment income, net	86,342	134,690	221,032
Realized and unrealized losses on investments	(3,512)	(81,039)	(84,551)
Change in value of beneficial interests	(15,893)	-	(15,893)
	<u>5,626,358</u>	<u>691,786</u>	<u>6,318,144</u>
Net assets released from restrictions	<u>1,141,445</u>	<u>(1,141,445)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>6,767,803</u>	<u>(449,659)</u>	<u>6,318,144</u>
EXPENSES			
Program services	6,282,299	-	6,282,299
Management and general	668,375	-	668,375
Fundraising	489,095	-	489,095
<u>Total Expenses</u>	<u>7,439,769</u>	<u>-</u>	<u>7,439,769</u>
CHANGE IN NET ASSETS	(671,966)	(449,659)	(1,121,625)
Net Assets, Beginning of Year	<u>9,092,513</u>	<u>5,318,395</u>	<u>14,410,908</u>
Net Assets, End of Year	<u>\$ 8,420,547</u>	<u>\$ 4,868,736</u>	<u>\$ 13,289,283</u>

SENIOR SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	WADC	Meals-On-Wheels	Home Care	Living at Home	Other Programs	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 777,834	\$ 624,707	\$ 983,982	\$ 517,924	\$ 464,225	\$ 3,368,672	\$ 241,235	\$ 328,418	\$ 3,938,325
Benefits	116,768	78,898	201,901	85,222	62,913	545,702	198,219	24,767	768,688
Payroll taxes	59,487	43,931	70,677	36,558	33,396	244,049	12,284	24,950	281,283
Food	71,306	1,012,441	-	19	47,448	1,131,214	74	-	1,131,288
Communications	19,661	7,332	11,335	4,630	6,510	49,468	8,210	6,843	64,521
Fundraising events	55,285	3,094	-	-	-	58,379	38,030	776	97,185
Insurance	11,467	7,375	13,452	4,900	5,660	42,854	7,522	1,568	51,944
Travel	1,793	11,541	45,854	11,971	2,063	73,222	429	770	74,421
Program expense	21,828	57,149	13,242	89,627	25,399	207,245	14,723	11,953	233,921
Taxes and fees	2,177	1,400	2,554	931	1,075	8,137	1,428	298	9,863
Advertising	11,354	25,366	5,882	10,564	21,097	74,263	28,937	23,535	126,735
Professional services	202	130	237	86	100	755	52,991	203	53,949
Bank and other fees	1,275	2,762	25	2	96	4,160	6,187	3,242	13,589
Space and land rental	11,467	-	-	-	-	11,467	941	-	12,408
Supplies and maintenance	68,110	55,239	42,965	23,624	35,801	225,739	25,537	43,989	295,265
Conferences and training	1,590	1,412	250	260	2,832	6,344	3,116	1,186	10,646
Other	360	12,088	-	62	21,310	33,820	1,138	687	35,645
Bad debts	5,000	-	3,000	-	-	8,000	-	-	8,000
Depreciation	74,574	52,831	13,013	18,718	29,673	188,809	27,374	15,910	232,093
	<u>\$ 1,311,538</u>	<u>\$ 1,997,696</u>	<u>\$ 1,408,369</u>	<u>\$ 805,098</u>	<u>\$ 759,598</u>	<u>\$ 6,282,299</u>	<u>\$ 668,375</u>	<u>\$ 489,095</u>	<u>\$ 7,439,769</u>

SENIOR SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

OPERATING ACTIVITIES

Change in net assets	\$ (1,121,625)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	232,093
Realized and unrealized losses on investments	84,551
Change in value of beneficial interests	15,893
Bad debts	8,000
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Promises to give	436,679
Grants receivable	10,727
Accounts and other receivables	(10,248)
Prepaid expenses	60,504
Assets held for resale	3,663
Increase (decrease) in:	
Accounts payable and accrued expenses	(39,599)
Deferred revenue	(3,980)
Contributions restricted for long-term purposes	(224,785)
<u>Net Cash Used in Operating Activities</u>	<u>(548,127)</u>

INVESTING ACTIVITIES

Sale of investments	2,929,552
Purchases of investments	(1,578,368)
Distributions of beneficial interests	27,864
<u>Net Cash Provided by Investing Activities</u>	<u>1,379,048</u>

FINANCING ACTIVITIES

Loan proceeds	979,700
Repayments of capital lease obligations	(23,325)
Contributions restricted for long-term purposes	224,785
<u>Net Cash Provided by Financing Activities</u>	<u>1,181,160</u>

Increase in Cash and Cash Equivalents 2,012,081

Cash and Cash Equivalents, Beginning of Year 435,097

Cash and Cash Equivalents, End of Year \$ 2,447,178

SUPPLEMENTAL INFORMATION:

Interest paid \$ 2,958

SENIOR SERVICES, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

Senior Services, Inc. is a nonprofit organization incorporated in 1974. The mission and purpose of Senior Services, Inc. is to help older adults age at home as long as possible and live with dignity. With concern for those who care for senior adults, Senior Services, Inc. also strives to assist caregivers. Individuals who cannot afford to pay for services are of special concern to Senior Services, Inc. and receive assistance to every extent possible through philanthropic contributions and available public funds.

Senior Services Foundation, Inc. is a nonprofit organization incorporated in 2001 and is a legally separate organization from Senior Services, Inc. Senior Services Foundation, Inc. is a supporting organization of Senior Services, Inc. Senior Services, Inc. controls Senior Services Foundation, Inc. by voting for the majority of its board members. Therefore, the two organizations are consolidated.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of Senior Services, Inc. and Subsidiary ("Senior Services") include the accounts of the Senior Services Foundation, Inc. ("Foundation"). All significant intercompany balances have been eliminated in consolidation.

The consolidated financial statements of Senior Services have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP). Senior Services reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - net assets that are not restricted by donors or for which donor-imposed restrictions have expired. If the board specifies a purpose where none has been stated, such funds are classified as board designated net assets without donor restrictions.

Net assets with donor restrictions - net assets subject to donor-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 that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

SENIOR SERVICES, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, Senior Services considers all cash investments with an original maturity of three months or less to be cash equivalents. These accounts at times may exceed federally insured limits. Senior Services has not experienced any losses on these accounts and management does not believe it is exposed to any significant credit risk.

Certificates of Deposit

Senior Services has certificates of deposit held at various local financial institutions. The original maturities of these certificates range from 12 to 24 months.

Investments

Senior Services carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market values in the consolidated statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities.

Senior Services' investments are held by a brokerage firm. It is reasonably possible that changes in values of investments will occur in the near term that such changes could materially affect the amounts reported.

Expenses relating to investment income, including custodial fees and investments advisory fees, have been netted against investment income in the consolidated financial statements. Investment expenses totaled \$28,236 for the year ended June 30, 2020.

Promises to Give

Contributions and non-government grants (promises to give) are recognized as revenues in the period the commitment is made. Senior Services records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions and grants revenue in the consolidated statement of activities. Senior Services determines an allowance for uncollectible promises to give based on historical experience, an assessment of the economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. The allowance for uncollectible promises to give was \$13,959 as of June 30, 2020. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

SENIOR SERVICES, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable are stated at net realizable value. All grants receivable are expected to be collected within one year.

Program Accounts Receivable

Program accounts receivable is stated at the amounts management expects to collect from the outstanding balances. An allowance for uncollectible receivables of \$14,727 was recorded as of June 30, 2020.

Property and Equipment

Senior Services capitalizes all expenditures for property and equipment in excess of \$2,500. Property and equipment are stated at cost unless donated. Donated equipment is stated at fair value at date of gift. Depreciation is provided on a straight-line basis over estimated useful lives of generally 3 to 15 years, except for buildings which are being depreciated over a life of 39 years.

Assets Held for Resale

Assets held for resale are comprised of donated burial plots and auction items to be sold in the future. These items are stated at their fair market value. The value of the donated items at June 30, 2020 is \$20,488.

Beneficial Interests in Assets Held by Others

Senior Services has established trust arrangements with the Winston-Salem Foundation, the purpose of which is to provide endowments to support the future needs of Senior Services. Donor contributions and monies designated by the Board have been irrevocably transferred to the Winston-Salem Foundation, who will invest the funds and make quarterly earnings distributions to Senior Services or accumulated income funds within the endowments in an amount determined by the Winston-Salem Foundation. Senior Services has granted the Winston-Salem Foundation variance power, the unilateral power to redirect the use of the assets, but has retained a right to the assets by specifying itself as the beneficiary. Pursuant to GAAP, these endowments have been recognized as beneficial interests in assets held by others in the accompanying consolidated statement of financial position at the current market value of the underlying investments held by the Winston-Salem Foundation, which amounted to \$672,639 as of June 30, 2020. Senior Services is not subject to the Uniform Prudent Management of Institutional Funds Act or the endowment disclosure requirements of FASB ASC 958-205-50 for these funds since control over the funds was relinquished to the Winston-Salem Foundation.

SENIOR SERVICES, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is recognized when earned. 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. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Donated Services and In-Kind Contributions

Contributions of assets other than cash are recorded at their estimated fair value. Senior Services reports revenues for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. For the year ended June 30, 2020, Senior Services received in-kind contributions valued at \$114,167. Included in this total were donated advertising services of \$68,600 and donated catering services of \$7,980.

A substantial number of volunteers donate significant amounts of time to Senior Services; however, no amounts have been reflected in the consolidated financial statements for these services since the donated services do not meet the above conditions for recognition under GAAP.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses present the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The primary expenses that are allocated include salaries, payroll taxes and benefits, food, supplies and maintenance, and depreciation, which are allocated based on time, effort, and square footage.

Advertising Expenses

Senior Services expenses advertising costs as incurred. For the year ended June 30, 2020, advertising costs were \$126,735.

SENIOR SERVICES, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

Senior Services, Inc. and Senior Services Foundation, Inc. are not-for-profit organizations and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purposes.

Senior Services, Inc.'s and Senior Services Foundation, Inc.'s primary tax positions relate to their status as not-for-profit entities exempt from income taxes and classification of activities related to their exempt purposes. It is the opinion of management that Senior Services, Inc. and Senior Services Foundation, Inc. have no uncertain tax positions that would be subject to change upon examination.

Senior Services, Inc. and Senior Services Foundation, Inc. are required to file federal exempt organization tax returns (Form 990) annually to retain their exempt status. Senior Services, Inc. and Senior Services Foundation, Inc. are also required to file exempt organization business income tax returns (Form 990-T) for any year unrelated business income exceeds \$1,000. Form 990 filings for Senior Services, Inc. and Senior Services Foundation, Inc. are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Estimates

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

Subsequent Events

Senior Services has evaluated its subsequent events (events occurring after June 30, 2020) through the date of this report, which represents the date the consolidated financial statements were available to be issued and determined that all significant events and disclosures are included in the consolidated financial statements.

SENIOR SERVICES, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE C: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 2,447,177
Certificates of deposit	726,676
Promises to give, net	239,187
Grants receivables	445,486
Program accounts receivable, net	218,977
Land lease receivable	73,302
Other receivables	67,335
Assets held for resale	20,488
Endowment: Investments	4,350,658
Beneficial interests in assets held by others	<u>672,639</u>
Total financial assets	9,261,925
Less those unavailable for general expenditure within one year due to:	
Non-current pledge receivable	(32,028)
Land lease receivable	(73,302)
Beneficial interests	(672,639)
Other purpose restrictions	(168,783)
Perpetual endowment	(4,347,464)
Board designations	<u>(1,299,603)</u>
	<u>(6,593,819)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,668,106</u>

Senior Services has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Senior Services has reserves designated by the Board which it could draw upon in the event of an unanticipated liquidity need.

SENIOR SERVICES, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

NOTE D: FAIR VALUE MEASUREMENTS

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured at fair value are categorized depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable data for substantially the full term of the assets or liabilities. Level 3 inputs are unobservable for the asset or liability, including Senior Services' own assumptions in determining the fair value of assets or liabilities.

Valuation techniques used in the fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Senior Services believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

The following is a description of the valuation methodologies used by Senior Services for assets measured at fair value:

Investments: Mutual funds are valued at the closing price reported on active markets on which the individual securities are traded (Level 1).

Beneficial Interests In Assets Held By Others: Equities and fixed income funds within the Winston-Salem Foundation endowment pool are valued at the closing price reported on the active markets on which the individual securities are traded. Although the measurement is based on the unadjusted fair value of trust assets reported by the Winston-Salem Foundation, Senior Services has limited access to these funds. A substantial amount of the monies have been irrevocably assigned to the Winston-Salem Foundation and Senior Services is only able to redeem accumulated income that the Winston-Salem Foundation has transferred to the grantable funds accounts within the endowments. The remaining endowment funds are available for specific uses based on the agreement by both Senior Services and the Winston-Salem Foundation. Therefore, Senior Services considers the measurement of its beneficial interests in assets held by the Winston-Salem Foundation to be a Level 3 measurement within the fair value hierarchy.

SENIOR SERVICES, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE D: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the assets of Senior Services measured at fair value on a recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments				
Mutual funds				
Fixed Income	\$ 1,092,715	\$ -	\$ -	\$ 1,092,715
Equities	2,245,899	-	-	2,245,899
Real asset funds	188,149	-	-	188,149
Cash funds	285,361	-	-	285,361
Alternative funds	538,534	-	-	538,534
	<u>4,350,658</u>	<u>-</u>	<u>-</u>	<u>4,350,658</u>
Beneficial interests in assets held by others	<u>-</u>	<u>-</u>	<u>672,639</u>	<u>672,639</u>
Total assets at fair value	<u>\$ 4,350,658</u>	<u>\$ -</u>	<u>\$ 672,639</u>	<u>\$ 5,023,297</u>

The table below sets forth a summary of changes in the fair value of Senior Services' level 3 assets for the year ended June 30, 2020:

Assets:	
Balance, beginning of year	\$ 716,246
Additions	150
Change in value of beneficial interests	(15,893)
Distributions	<u>(27,864)</u>
Balance, end of year	<u>\$ 672,639</u>

NOTE E: PROMISES TO GIVE

In connection with a capital campaign and other projects, Senior Services solicited pledges to help fund various initiatives. As of June 30, 2020, unconditional promises to give are expected to be realized in the following periods:

Due within one year	\$ 221,118
Due in one to five years	<u>32,028</u>
	253,146
Allowance for uncollectible promises to give	<u>(13,959)</u>
	<u>\$ 239,187</u>

SENIOR SERVICES, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment at June 30, is summarized as follows:

Buildings	\$ 5,855,218
Furniture and equipment	1,738,019
Land and improvements	<u>1,795,057</u>
	9,388,294
Less accumulated depreciation	<u>(3,898,521)</u>
	<u>\$ 5,489,773</u>

Depreciation expense was \$232,093 for the year ended June 30, 2020.

NOTE G: CAPITAL LEASES

Senior Services leases equipment under capital leases expiring through October 2022. Future minimum lease payments under noncancellable leases with initial or remaining terms of one year or more are summarized as follows at each June 30:

2021	\$ 36,023
2022	27,695
2023	<u>17,851</u>
Total minimum lease payments	81,569
Less amount representing maintenance	(16,472)
Less amount representing interest	<u>(3,346)</u>
Present value of net minimum lease payments	<u>\$ 61,751</u>

NOTE H: LAND LEASE

The land on which the Williams Adult Day Center was constructed is owned by Wake Forest Baptist Health ("WFBH"). Beginning in January 1999, WFBH leased the land to Senior Services at a nominal annual rent of one dollar for 30 years through 2029. The amount of \$73,302 representing the present value of the future use of the land at June 30, 2020 is included in land lease receivable on the consolidated statement of financial position. Lease expense was \$11,467 for the year ended June 30, 2020.

SENIOR SERVICES, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE I: ENDOWMENT FUNDS

Senior Services Foundation, Inc. has established multiple named funds with the donor-imposed purpose of providing a permanent endowment to generate annual income for various programs within Senior Services, Inc. In accordance with GAAP, these endowments have been recognized as assets restricted for endowments in the accompanying consolidated statement of financial position at the current market value of the underlying investments.

The Foundation has interpreted the Uniform Prudent management of Institutional Funds Act (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 Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Endowment net asset composition as of June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 4,347,464	\$ 4,347,464
Net accumulated investment gains	-	3,194	3,194
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 4,350,658</u>	<u>\$ 4,350,658</u>

Funds with Deficiencies. From time to time, the fair value of the assets associated with the donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as funds of perpetual duration (underwater endowments). The individual funds with deficiencies totaled \$108,820 at June 30, 2020. The deficiency resulted from unfavorable market fluctuations on the underlying investments.

SENIOR SERVICES, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE I: ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund, if possible. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

Spending Policy. The Foundation has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value of the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, a portion of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a rate consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional growth through investment return.

Changes in endowment net assets during the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 4,273,037	\$ 4,273,037
Contributions	-	224,785	224,785
Investment return, net	-	53,651	53,651
Distributions	-	(200,815)	(200,815)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 4,350,658</u>	<u>\$ 4,350,658</u>

In addition to the endowment funds above, Senior Services has seven trusts administered by the Winston-Salem Foundation, which were established by outside donors. Senior Services does not have title to the assets of the trusts, and accordingly the trust assets are not reflected in the accompanying consolidated financial statements. The aggregate value of these trusts was \$1,167,425 at June 30, 2020. Income distributions from these trusts were \$37,254 during the year ended June 30, 2020.

SENIOR SERVICES, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE J: LOAN PAYABLE

On April 15, 2020, Senior Services received loan proceeds in the amount of \$969,700 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus, Aid, Relief, and Economic Security Act (“Cares Act”), provides for loans to qualifying businesses for amounts up to two and a half times the average monthly payroll and other eligible expenses of the qualifying business. The loans and any accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The unforgivable portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first sixteen months. Senior Services intends to use the proceeds for purposes consistent with the PPP. While Senior Services currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, Senior Services could potentially take actions that could cause Senior Services to be ineligible for forgiveness for the loan, in whole or in part.

Senior Services also received \$10,000 from the Small Business Administration (SBA). Amounts received from the SBA reduce the amount forgiven through the PPP.

The PPP loan was forgiven by the SBA on December 23, 2020.

NOTE K: CHARITABLE GIFT ANNUITY

In July 2002, Senior Services received two charitable gift annuities. Senior Services will pay the donors \$411 on a quarterly basis during their lifetimes. The annuities are irrevocable and non-assignable, excepting that they have been assigned to Senior Services. The value of these annuities is \$27,678 and is being held in a certificate of deposit by Senior Services. These amounts are considered net assets with donor restrictions on the consolidated statement of financial position at June 30, 2020.

NOTE L: NET ASSETS WITHOUT DONOR RESTRICTIONS DESIGNATED FOR SPECIAL PURPOSES

Senior Services maintains unrestricted funds, some of which are designated by the Board for certain special purposes. The amounts of such designated net assets at June 30, 2020 were as follows:

Compassionate Care	\$ 22,500
Aging with Purpose	927,103
Just Like Family	<u>350,000</u>
	<u>\$ 1,299,603</u>

SENIOR SERVICES, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE M: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes or periods at June 30, 2020:

Subject to expenditure for specified purposes and/or passage of time:	
COVID-19 relief	\$ 10,900
Salaries	10,000
Meals on Wheels	69,546
Land lease	73,302
Charitable gift annuity	27,678
Other programs	47,466
Other timing restrictions	<u>279,186</u>
	<u>518,078</u>
 Endowments	
Subject to endowment spending policy or appropriation:	
Original gifts (corpus) for:	
Day Center scholarships and maintenance	1,769,568
Meals on Wheels	869,921
Other scholarships	1,707,975
Unappropriated endowment earnings for:	
Day Center scholarships and maintenance	57,240
Meals on Wheels	23,925
Other scholarships	30,849
Accumulated deficit for:	
Day Center scholarships and maintenance	(6,108)
Meals on Wheels	(28,050)
Other scholarships	<u>(74,662)</u>
	<u>4,350,658</u>
	<u>\$ 4,868,736</u>

NOTE N: RETIREMENT PLANS

Senior Services has a 403(b) retirement plan available to all employees who consistently work 20 or more hours per week annually. Senior Services matches 100% of its employee's contributions up to 5%. Retirement plan expense totaled \$162,411 for the year ended June 30, 2020.

NOTE O: RELATED PARTY TRANSACTIONS

Senior Services transferred \$224,785 of donor-restricted contributions for the endowment to the Foundation in 2020. The Foundation disbursed \$200,815 to Senior Services as its yearly distribution. These transactions have been eliminated through consolidation.

SENIOR SERVICES, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE P: CONTINGENCIES

Financial awards from federal and state governmental entities in the form of grants are subject to review and/or audit. Such review could result in claims against Senior Services for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such review or audit since the amount, if any, cannot be determined at this date.

NOTE Q: CONDITIONAL PROMISES TO GIVE

Senior Services is the beneficiary of two charitable remainder trusts held by the Winston-Salem Foundation. Upon the deaths of the survivors of the grantors, a percentage of the funds and properties then remaining in the trusts will be transferred and conveyed to Senior Services. The market value of Senior Services share of these charitable remainder trusts as of June 30, 2020 is \$302,508. Although these trusts are irrevocable, the grantors may amend or revoke the charitable beneficiaries by a specific written instrument provided to them by the Trustee. Therefore, these trusts are considered conditional promises to give and are not reflected in the consolidated financial statements.

Additionally, Senior Services is the beneficiary of a life insurance policy in which Senior Services is set to receive a sum of \$100,000 payable in four equal installments upon death of the executor of the trust. The gift corpus is designed to provide a permanent endowment fund with the earnings available to Senior Services. This policy is considered conditional upon the death of the executor and accordingly is not reflected in the consolidated financial statements.

NOTE R: PRIOR PERIOD ADJUSTMENTS

Certain errors related to previously reported net assets were discovered during the current year. As a result, net assets as of June 30, 2019 have been restated as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Net assets as previously stated, June 30, 2019	\$ 11,164,039	\$ 3,151,869
Reclassification of endowed funds to net assets with donor restrictions	(4,273,037)	4,273,037
Reclassification of capital campaign net assets to net assets without donor restrictions	2,201,511	(2,201,511)
Correction of error – foundation grant incorrectly recorded on cash basis	<u> -</u>	<u> 95,000</u>
Restated net assets, June 30, 2019	<u>\$ 9,092,513</u>	<u>\$ 5,318,395</u>

SENIOR SERVICES, INC.
SCHEDULE OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Federal or State Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Federal Pass- Through Expenditures	Passed Through to Subrecipients	State Expenditures
U.S. Department of Agriculture				
Pass-Thru North Carolina Department of Health & Human Services, Division of Public Health				
Child and Adult Care Food Program (CACFP)	10.558	\$ 39,811	\$ -	\$ -
U.S. Department of Veterans Affairs				
Veterans Home Based Primary Care				
	64.022	3,811	-	-
Veterans State Adult Day Health Care				
	64.026	99,778	-	-
U.S. Department of Health & Human Services				
Pass-Thru North Carolina Department of Health & Human Services and Piedmont Triad Regional Council (PTRC)				
Aging Cluster:				
Special Programs for the Aging, Title III, Part B,				
Grants for Supportive Services and Senior Centers				
	93.044	199,629	-	-
State appropriations	N/A	-	-	345,383
Special Programs for the Aging, Title III, Part C,				
Nutrition Services				
	93.045	474,327	-	-
Nutrition Services Incentive Program	93.053	164,594	-	-
State appropriations	N/A	-	-	119,380
<u>Sub-Total Aging Cluster</u>		<u>838,550</u>	<u>-</u>	<u>464,763</u>
U.S. Department of Health & Human Services				
Pass-Thru North Carolina Department of Health and Human Services & Davie County				
National Family Caregiver Support Program, Title III, Part E				
	93.052	78,089	25,399	-
State appropriations	N/A	-	-	5,206
		<u>78,089</u>	<u>25,399</u>	<u>5,206</u>
U.S. Department of Health & Human Services				
Pass-Thru Forsyth County Department of Social Services and Piedmont Triad Regional Council				
Social Services Block Grant				
	93.667	98,782	-	-
State appropriations	N/A	-	-	52,919
		<u>98,782</u>	<u>-</u>	<u>52,919</u>
U.S. Department of Health & Human Services				
Pass-Thru Division of Medical Assistance (DMA) / Health Benefits (DBH)				
Money Follows the Person Rebalancing Demonstration				
	93.791	90,250	-	-
<u>TOTAL FEDERAL AND STATE AWARDS</u>		<u>\$ 1,249,071</u>	<u>\$ 25,399</u>	<u>\$ 522,888</u>

SENIOR SERVICES, INC.
NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of federal and state awards include the federal and state grant activity of Senior Services, Inc. and is presented on the accrual basis. The information in the schedule 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* and N. C. General Statute 143C-6-23. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: INDIRECT COST RATE

Senior Services, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.