

SURREY SERVICES FOR SENIORS, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2020 and 2019

SURREY SERVICES FOR SENIORS, INC.

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Independent Auditors' Report

To the Board of Directors
Surrey Services for Seniors, Inc.
Devon, Pennsylvania

We have audited the accompanying financial statements of Surrey Services for Seniors, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
Surrey Services for Seniors, Inc.
Devon, Pennsylvania

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Surrey Services for Seniors, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note R to the financial statements, the spread of the COVID-19 coronavirus began to have economic implications throughout the United States. The related financial impact on Surrey Services for Seniors, Inc. cannot be reasonably estimated at this time. Our conclusion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated October 27, 2020 on our consideration of the Surrey Services for Seniors, 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 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 the Surrey Services for Seniors, Inc.'s internal control over financial reporting and compliance.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information appearing on pages 20 and 21 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Limerick, Pennsylvania
October 27, 2020

SURREY SERVICES FOR SENIORS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 539,574	\$ 89,321
Investments	2,057,535	1,994,189
Accounts receivable	129,357	143,411
Other receivables	65,311	100,306
Unconditional promises to give, short-term	174,104	70,850
Prepaid expenses	20,110	24,930
TOTAL CURRENT ASSETS	<u>2,985,991</u>	<u>2,423,007</u>
PROPERTY AND EQUIPMENT		
Property and equipment	5,106,883	5,023,899
Accumulated depreciation	<u>(1,124,161)</u>	<u>(933,563)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>3,982,722</u>	<u>4,090,336</u>
OTHER ASSETS		
Unconditional promises to give, long-term	<u>88,691</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 7,057,404</u>	<u>\$ 6,513,343</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 275,294	\$ -
Accounts payable	103,169	90,034
Accrued liabilities	159,963	119,563
Deferred revenue	<u>96,461</u>	<u>43,455</u>
TOTAL CURRENT LIABILITIES	<u>634,887</u>	<u>253,052</u>
LONG-TERM DEBT	<u>521,900</u>	<u>-</u>
NET ASSETS		
Without donor restrictions	5,750,217	6,134,891
With donor restrictions	<u>150,400</u>	<u>125,400</u>
TOTAL NET ASSETS	<u>5,900,617</u>	<u>6,260,291</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,057,404</u>	<u>\$ 6,513,343</u>

See accompanying notes.

SURREY SERVICES FOR SENIORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND GAINS		
Program services	\$ 2,547,272	\$ 2,587,374
Government	118,873	160,580
Business and community organizations	15,379	26,505
Foundation grants	387,877	434,791
Individuals	1,415,545	899,319
Member dues	96,630	88,201
Special events	118,344	293,830
Sales to public	123,842	135,380
Investment income	101,322	141,236
Other income	41,964	23,921
TOTAL REVENUE, GAINS, AND OTHER		
SUPPORT WITHOUT DONOR RESTRICTIONS	<u>4,967,048</u>	<u>4,791,137</u>
EXPENSES		
Program services	4,133,768	3,840,658
Management and general	853,050	655,905
Fund-raising	364,904	434,651
TOTAL EXPENSES	<u>5,351,722</u>	<u>4,931,214</u>
DECREASE IN NET ASSETS WITHOUT DONOR		
RESTRICTIONS BEFORE DISPOSAL OF ASSETS	<u>(384,674)</u>	<u>(140,077)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Foundations	<u>25,000</u>	<u>125,400</u>
CHANGE IN NET ASSETS BEFORE		
DISPOSAL OF ASSETS	(359,674)	(14,677)
DISPOSAL OF ASSETS	<u>-</u>	<u>14,487</u>
CHANGE IN NET ASSETS	(359,674)	(190)
NET ASSETS AT BEGINNING OF THE YEAR	<u>6,260,291</u>	<u>6,260,481</u>
NET ASSETS AT END OF THE YEAR	<u>\$ 5,900,617</u>	<u>\$ 6,260,291</u>

See accompanying notes.

SURREY SERVICES FOR SENIORS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Payroll	\$ 2,308,803	\$ 523,424	\$ 163,383	\$ 2,995,610
Payroll taxes	172,006	32,814	12,498	217,318
Employee benefits	189,175	130,388	14,283	333,846
TOTAL PAYROLL AND RELATED BENEFITS	<u>2,669,984</u>	<u>686,626</u>	<u>190,164</u>	<u>3,546,774</u>
Activities	82,266	-	-	82,266
Bad debt	500	-	400	900
Client services	416,842	-	-	416,842
Credit card fees	14,627	-	7,205	21,832
Depreciation	156,290	22,872	11,436	190,598
Fundraising	-	-	57,295	57,295
Insurance	63,684	8,543	5,437	77,664
Interest	-	10,052	-	10,052
Miscellaneous	17,519	2,564	1,281	21,364
Payroll service	25,058	3,667	1,833	30,558
Postage	25,017	5,624	3,036	33,677
Printing	59,347	3,320	13,088	75,755
Professional development	9,405	1,376	689	11,470
Professional fees	133,908	18,260	43,300	195,468
Public relations	57,191	8,369	4,185	69,745
Rent	89,000	-	-	89,000
Repairs and maintenance	75,005	10,976	5,489	91,470
Supplies	19,937	16,969	6,057	42,963
Technology	152,639	22,100	11,406	186,145
Telephone	5,229	20,605	359	26,193
Travel	597	5,133	352	6,082
Utilities	23,660	5,994	1,892	31,546
Vehicle expense	36,063	-	-	36,063
TOTAL PROGRAM AND SUPPORTING EXPENSES	<u>\$ 4,133,768</u>	<u>\$ 853,050</u>	<u>\$ 364,904</u>	<u>\$ 5,351,722</u>
% of total expenses	77.3%	15.9%	6.8%	100.0%

See accompanying notes.

SURREY SERVICES FOR SENIORS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fund-raising	Total
Payroll	\$ 2,088,314	\$ 397,017	\$ 187,670	\$ 2,673,001
Payroll taxes	155,197	27,223	14,004	196,424
Employee benefits	208,943	68,799	31,292	309,034
TOTAL PAYROLL AND RELATED BENEFITS	2,452,454	493,039	232,966	3,178,459
Activities	99,682	-	-	99,682
Bad debt	-	-	5,235	5,235
Client services	385,985	-	-	385,985
Credit card fees	13,937	397	7,060	21,394
Depreciation	164,064	24,009	12,005	200,078
Fundraising	-	-	103,186	103,186
Insurance	70,083	9,402	5,983	85,468
Interest	-	2,011	-	2,011
Miscellaneous	14,407	2,109	1,054	17,570
Payroll service	35,305	5,167	2,583	43,055
Postage	20,265	8,689	2,059	31,013
Printing	56,646	3,084	26,702	86,432
Professional development	5,304	776	388	6,468
Professional fees	66,997	8,540	-	75,537
Public relations	61,439	8,991	4,495	74,925
Rent	79,830	-	-	79,830
Repairs and maintenance	97,663	14,292	7,146	119,101
Supplies	21,712	19,858	4,542	46,112
Technology	123,349	18,051	9,026	150,426
Telephone	8,692	20,674	283	29,649
Travel	1,781	9,954	7,771	19,506
Utilities	27,087	6,862	2,167	36,116
Vehicle expenses	33,976	-	-	33,976
TOTAL PROGRAM AND SUPPORTING EXPENSES	\$ 3,840,658	\$ 655,905	\$ 434,651	\$ 4,931,214
% of total expenses	77.9%	13.3%	8.8%	100.0%

See accompanying notes.

SURREY SERVICES FOR SENIORS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (359,674)	\$ (190)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	190,598	200,078
Donated investments included in support	(21,622)	(13,014)
Net realized and unrealized gain on investments	(48,876)	(98,945)
Disposal of assets	-	20,062
(Increase) decrease in		
Promises to give	(191,945)	(32,255)
Accounts and other receivables	49,049	32,519
Prepaid expenses	4,820	5,119
Increase (decrease) in		
Accounts payable	13,135	(11,919)
Deferred revenue	53,006	19,725
Accrued expenses	40,400	(2,066)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(271,109)</u>	<u>119,114</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments, net of purchases	7,152	(29,886)
Purchase of property and equipment	(82,984)	(63,419)
NET CASH USED BY INVESTING ACTIVITIES	<u>(75,832)</u>	<u>(93,305)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	275,294	-
Borrowings on long-term debt	521,900	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>797,194</u>	<u>-</u>
NET INCREASE IN CASH	450,253	25,809
CASH AT BEGINNING OF YEAR	<u>89,321</u>	<u>63,512</u>
CASH AT END OF YEAR	<u>\$ 539,574</u>	<u>\$ 89,321</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 10,052	\$ 2,011

See accompanying notes.

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE A - NATURE OF ACTIVITIES

Surrey Services for Seniors, Inc. (the Corporation) is a publicly supported, non-profit corporation which provides transportation, social activities, home care, nutrition programs, and volunteer opportunities to older adults, primarily in Chester and Delaware Counties, Pennsylvania.

These services help older adults live with independence and dignity to continue as active members of the community. They are provided by a small professional staff supported by the efforts of over 1,300 volunteers. The total volunteer hours exceeded 40,400 and 49,300 for 2020 and 2019, respectively.

In response to the COVID-19 coronavirus in the later part of the fiscal year ending June 30, 2020, the Corporation's regular operating activities were significantly modified to affirmatively enhance and address both the safety and expanded needs within the communities served. Specific actions included implementing careful comprehensive safety protocols for both staff and volunteers, restricting facility access, the conversion of many programs to online platforms, and the transformation of nutrition services to "Grab & Go" meals versus seated dining. As is reflected within these financial statements for the fiscal year ended June 30, 2020, several unique financial actions were also implemented by the Corporation to avail itself of enhanced financial resources, such as obtaining the Paycheck Protection Program loan of the CARES Act and also utilization of our credit facility. These financial statements should be read with awareness of these actions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation prepares its financial statements on the accrual method of accounting.

Financial Statement Presentation

Under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-10-65-1), the Corporation is required to report information regarding its financial position and activities according to two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions

Net asset with donor restrictions is the part of net assets of the Corporation that is subject to donor-imposed restrictions. Some donors imposed restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors imposed restrictions are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets with Donor Restrictions (Continued)

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is received and recognized.

Net Assets without Donor Restrictions

The part of net assets of the Corporation that is not subject to donor-imposed restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for trade accounts receivable. Balances 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.

The allowance for doubtful accounts is based on prior years' experience and management analysis of possible bad debts. The allowance is \$2,560 and \$2,759 as of June 30, 2020 and 2019, respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are 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.

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risk

Financial instruments that potentially subject the Corporation to concentration of credit risk consist principally of cash and accounts receivable. The Corporation's cash funds are located in various financial institutions. The federal deposit insurance Corporation (FDIC) insures the first \$250,000 of any depositor's total depository accounts for each member institution. The Corporation places its cash with credit worthy financial institutions and has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash. At June 30, 2020 and 2019, there were no balances exposed to potential credit risk.

Substantially all the Corporation's accounts receivable are from customers located in Chester and Delaware Counties, Pennsylvania. The Corporation does require a security deposit for larger Homecare clients, but for the majority of its clients, they do not require collateral or other security to support credit sales, and provides an allowance for bad debts based on historical experience and specifically identified risks.

One donor accounted for more than 10% of support during the years ended June 30, 2020 and 2019. The total support from the donor in 2020 and 2019 was \$700,000 and \$600,000, respectively.

Investments

The Corporation carries investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment

The Corporation records property and equipment at cost and primarily uses the straight-line depreciation method over estimated useful lives of 3 to 40 years. Maintenance, repairs and expenditures for renewals and betterments not determined to extend the useful lives or increase materially the productivity of the asset are expensed as incurred. Otherwise renewals and betterments are capitalized. When items of property and equipment are sold or retired, the cost and related allowances for depreciation are eliminated from the accounts. The gain or loss on such disposition is credited or charged to income.

Donations of property and equipment are recorded as support at their estimated value. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method, over their estimated useful lives.

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Compensated Absences

Full-time employees receive annual leave based upon length of employment. Annual leave is paid to employees upon termination of employment, use of the benefit, or when employees voluntarily leave the company, and is accrued in the financial statements. Accrued compensated absences as of June 30, 2020 and 2019 are \$21,838 and \$13,802, respectively.

Deferred Revenue

Deferred Revenue represents amounts received in advance from clients, grantors and donors. The amounts are expected to be recognized as revenue in the subsequent year. Deferred revenue as of June 30, 2020 and 2019 was \$96,461 and \$43,455, respectively.

Contributions

Contributions received are recorded with donor restrictions or without donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

The Corporation's program revenues are derived from services including homecare, social activities, membership, nutrition and transportation. The program service revenue is recognized when the services are rendered.

Fair Value of Financial Instruments

The fair value of financial instruments has been determined through quoted market values.

Advertising

The Corporation follows the policy of charging the cost of advertising to expense as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Termination Benefits

The Corporation provided certain termination benefits to a former employee during the period subsequent to employment but prior to retirement. Termination benefit expense charged to operations for the year-ended June 30, 2020 was significant enough in nature to require disclosure in Schedule J of the IRS Form 990. Termination benefits are included in Payroll Expenses on the Statement of Functional Expenses for the year ended June 30, 2020. There were no termination benefit expenses incurred during the year-ended June 30, 2019.

Income Taxes

The Corporation is a charitable organization with an exempt status under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a private foundation as defined in Section 509(a)(1) of the Internal Revenue Code.

Generally accepted accounting principles requires entities to evaluate, measure, recognize, and disclose any uncertain tax positions taken on their income tax returns. Management has evaluated the impact of this standard on its financial statements and believes that there are no uncertain tax positions and the effects of this standard did not impact the Corporation's financial position, statement of activities or changes in net assets.

The Corporation recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of the income tax provision. The Corporation does not have tax related interest and penalties for the years after the date the Corporation files the returns.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Date of Management's Review

Management has evaluated subsequent events through October 27, 2020, the date the financial statements were available to be issued.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 174,104	\$ 70,850
Receivable in one to five years	<u>88,691</u>	<u>-</u>
Total unconditional promises to give at June 30, 2020 and 2019	<u>\$ 262,795</u>	<u>\$ 70,850</u>

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE D - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Life Years</u>
Land	\$ 1,222,164	\$ 1,222,164	
Building	2,031,520	2,031,520	40
Building improvements	977,246	977,246	15
Vehicles	73,479	-	5
Equipment and furniture	802,474	792,969	3 to 5
	<u>5,106,883</u>	<u>5,023,899</u>	
Accumulated depreciation	<u>(1,124,161)</u>	<u>(933,563)</u>	
Net book value of property and equipment	<u>\$ 3,982,722</u>	<u>\$ 4,090,336</u>	

NOTE E - INVESTMENTS

Investments at fair value consist of the following as of June 30, 2020:

	<u>2020</u>		
	<u>Cost</u>	<u>Unrealized Holding Gain (loss)</u>	<u>Fair Value</u>
Exchange Traded Funds			
US equities	\$ 591,720	\$ (15,451)	\$ 576,269
US Intermediate-term bond	395,305	28,910	424,215
Short-term treasury bond	414,970	9,583	424,553
International equity	230,538	(14,553)	215,985
Emerging markets equity	223,384	(17,773)	205,611
Long-term treasury bond	117,452	28,446	145,898
International bond	64,807	197	65,004
	<u>\$ 2,038,176</u>	<u>\$ 19,359</u>	<u>\$ 2,057,535</u>

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE E - INVESTMENTS (Continued)

Investments at fair value consist of the following as of June 30, 2019:

	2019		
	Cost	Unrealized Holding Gain	Fair Value
Exchange Traded Funds			
Total stock market	\$ 643,505	\$ 146,719	\$ 790,224
Global bond market	497,916	9,060	506,976
Global short term bond	501,860	4,754	506,614
Total international stock	184,526	5,849	190,375
	<u>\$ 1,827,807</u>	<u>\$ 166,382</u>	<u>\$ 1,994,189</u>

NOTE F - FAIR VALUE MEASUREMENTS

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access. *Level 2* inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. *Level 3* inputs are unobservable inputs based on the Corporation's assumptions used to measure assets and liabilities at fair value. The asset's 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.

Assets of the Corporation for which fair values are determined on a recurring basis are summarized as follows:

	Investment Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ <u>2,057,535</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,057,535</u>

	Investment Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ <u>1,994,189</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,994,189</u>

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE G - UNEMPLOYMENT TRUST

The Corporation participates in a Trust created by and for nonprofit organizations that provides an alternative to paying state unemployment taxes. Federal law allows 501 (c)(3) organizations to opt out of their state's unemployment system and agree to directly reimburse the state for their own unemployment claims. The Trust establishes an account that is used to cover current claims in process, and future claims. The account also pays administrative expenses of the Trust and participates in the investment results of the Trust's assets. The balance in the account is \$2,949 and \$5,098 as of June 30, 2020 and 2019, respectively and is included in prepaid expenses.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent assets whose use by the Corporation is subject to grantor- or donor-imposed restrictions that can be fulfilled through the actions of the Corporation or by the passage of time. Net assets with donor restrictions at June 30, 2020 and 2019, consist of grants and donations received but not yet spent for their intended purpose as follows:

	<u>2020</u>	<u>2019</u>
Kitchen renovation	\$ <u>150,400</u>	\$ <u>125,400</u>

There were no net assets released from donor restrictions for the years ended June 30, 2020 and 2019.

NOTE I - DONATED MATERIALS AND SERVICES

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their values in the period received.

The following schedule summarizes recorded donations of goods and services:

	<u>2020</u>	<u>2019</u>
Professional services	\$ 5,400	\$ 9,295
Advertising	<u>3,260</u>	<u>3,367</u>
Total	\$ <u>8,660</u>	\$ <u>12,662</u>

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE J - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program service costs include expenses to provide transportation, home care, social activities, nutritional programs and volunteer activities. Fund-raising expenses are costs related to development, grant writing and other fund-raising efforts. Management and general expenses are costs directly related to the overall operation of the Corporation, which are not associated with program or fund-raising services. Certain management and general expenses, such as payroll, employee benefits and payroll taxes, are allocated to program and fund-raising based on the employees' use of their time. Various indirect expenses are allocated based upon a percentage of direct functional expense of program, management and general, and fundraising. All other expenses are allocated based upon actual cost tracking by functional expense use.

NOTE K - RETIREMENT PLAN

The Corporation has a 401(k)-retirement plan covering substantially all qualified employees. The Plan is being funded currently. Contributions by the Corporation represent an employer match of 50% of the first six percent of employee deferral. Contributions for the year ended June 30, 2020 and 2019 was \$87,703 and \$63,633, respectively.

NOTE L - OPERATING LEASE COMMITMENT

The Corporation has various non-cancelable operating leases for shop, office facilities and three centers. The lease terms are month to month or year to year. The leases do not have non-cancellable terms in excess of one year.

In June 2018, the Corporation entered into a five-year lease for one of their centers with the option to renew the lease for five one-year extensions. In April 2019, the Corporation entered into a one-year lease for another center with the option to renew the lease for a one-year extension. The April 2019 one-year lease was not renewed.

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE L - OPERATING LEASE COMMITMENT (CONTINUED)

The following is a schedule of future annual minimum lease payments required under noncancelable lease terms in excess of one year as of June 30, 2020.

<u>Year Ending June 30,</u>	<u>Minimum Lease Required Payments</u>
2021	\$ 46,500
2022	42,000
2023	<u>38,500</u>
TOTAL FUTURE LEASE PAYMENTS	\$ <u><u>127,000</u></u>

Rent expense is \$89,000 and \$79,830 for the years ended June 30, 2020 and 2019, respectively.

NOTE M - RESULTS OF SPECIAL EVENTS

The following table presents the results of the Corporation's fundraising projects and events.

	<u>2020</u>		
	<u>Revenues</u>	<u>Expenses</u>	<u>Net Results</u>
Fashion show	\$ 18,618	\$ 13,212	\$ 5,406
Golf fundraiser	97,790	44,083	53,707
Other events	<u>1,936</u>	<u>-</u>	<u>1,936</u>
	<u>\$ 118,344</u>	<u>\$ 57,295</u>	<u>\$ 61,049</u>
	<u>2019</u>		
	<u>Revenues</u>	<u>Expenses</u>	<u>Net Results</u>
Spring Gala	\$ 183,800	\$ 44,485	\$ 139,315
Fashion show	15,365	9,560	5,805
Golf fundraiser	<u>94,665</u>	<u>49,141</u>	<u>45,524</u>
	<u>\$ 293,830</u>	<u>\$ 103,186</u>	<u>\$ 190,644</u>

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE N - LINE OF CREDIT

The Corporation has a business line of credit with a bank. The maximum amount available as of June 30, 2020 and 2019 is \$500,000 with interest at the bank's prime rate on any outstanding balance. The maximum balance outstanding during the fiscal years ended June 30, 2020 and 2019, respectively, was \$499,757 and \$190,000. The line of credit is due on demand with currently no expiration date. The outstanding balance on the line of credit as of June 30, 2020 was \$275,294. There was no outstanding balance as of June 30, 2019.

NOTE O - LONG-TERM DEBT

On April 28, 2020, the Corporation entered into a term loan under the Payroll Protection Program covered by the CARES Act. The loan was for \$521,900 and will mature in five years from April 28, 2020 with a fixed interest rate of 1% per year. If not fully forgiven, the term of the loan is five years and during the first six months of the loan term, required payments of principal and interest shall be deferred, and interest will continue to accrue during the deferral period. After the deferral period, beginning in the seventh month of the loan term, monthly principal and interest payments will begin. The outstanding principal and accrued interest shall be paid on the maturity date of the loan. The loan or a portion thereof may be eligible for forgiveness pursuant to the Paycheck Protection Program, which minimally requires at least 60% of the loan proceeds are used to cover payroll costs over the 24-week period after the loan is made and the number of employees and compensation levels are generally maintained. Additional requirements may apply and further details on how to request loan forgiveness are expected to be issued with further guidance from the Small Business Association (SBA). The amount of the loan that may be forgiven is based upon the rules and regulations as defined under the CARES Act.

For any portion not forgiven, it will remain as a loan with the terms indicated above. The actual amount of forgiveness cannot be determined as of the date of the report.

The Corporation has elected to account for the loan under the debt model (FASB ASC 470). Under FASB ASC 470, *Debt*, the Corporation would recognize a gain on extinguishment when they are legally released as primary obligor. As of the date of this report, the loan has not been forgiven. Management anticipates full forgiveness of the loan in the subsequent fiscal year, in which it will then be reported as income.

NOTE P - PROVIDER AGREEMENTS

The Corporation has a Provider Agreement with the County of Delaware, Office of Services for the Aging (COSA) to provide services for two centers in Havertown and Media, Pennsylvania. The services include center management, congregate meals, home delivered meals and volunteer services. Under the terms of the agreement, the Corporation is required to provide COSA program schedules as supplemental information detailing the COSA program activity for the fiscal year. The supplemental schedules are included on pages 20 and 21 as additional information.

SURREY SERVICES FOR SENIORS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE P - PROVIDER AGREEMENTS (Continued)

The Corporation has recognized \$340,061 and \$322,994 of program service revenue for the years ended June 30, 2020 and 2019, respectively. There is \$59,946 and \$42,791 due from COSA included in other receivables as of June 30, 2020 and 2019, respectively.

The Corporation also has an agreement with the COSA under the CHORE program to provide home modifications to seniors in Delaware County, Pennsylvania. The home modifications include repair and maintenance services as well as handicap accessible installations. The Corporation recognized \$42,577 and \$8,181 of home modification program revenue for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, there are no amounts due from COSA for the home modification program. The program revenues and expenses are reported with the CHORE Connection column in the supplemental schedules.

The Corporation has a contract with the Chester County Department of Aging Services ("CCDAS") to provide support for congregate meals, senior community center services, volunteer services and information and referral programs in Chester County, Pennsylvania. The purpose of the senior community center program is to facilitate the social, emotional, and physical well-being of older Pennsylvanians as part of a comprehensive and coordinated system of services and the establishment and support of community based services and activities. The Corporation received contracts for \$14,330 and \$89,330 for the years ended June 30, 2020 and 2019, respectively.

NOTE Q - LIQUIDITY

In addition to the Corporation's cash balances, the liquidity management program includes a \$500,000 line of credit, of which \$224,706 was available at June 30, 2020. In addition to these items, at June 30, 2020 and 2019, respectively, the Corporation's invested assets of approximately \$2,057,000 and \$1,994,000 were also immediately available to the Company for liquidity by corporate action. These liquidity capacities, assuming no revenue or gains occur, exceed 6.6 months of total expenses excluding depreciation of \$5,161,124 and \$4,731,136 for the fiscal years ending June 30, 2020 and 2019, respectively.

NOTE R - RISKS AND UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to have an effect on the daily operations of the Corporation. Financial impact could occur though such potential impact is unknown at this time.

SUPPLEMENTARY INFORMATION

SURREY SERVICES FOR SENIORS, INC.

SCHEDULES OF REVENUE AND EXPENSES FOR THE HAVERTOWN, MEDIA AND CHORE PROGRAMS YEAR ENDED JUNE 30, 2020

	<u>Havertown</u>	<u>Media</u>	<u>Chore Connection</u>	<u>Total</u>
Support and revenue				
COSA contract	\$ 168,643	\$ 150,945	\$ 20,474	\$ 340,062
Home modification program revenue	-	-	47,577	47,577
Senior Center programs	12,644	4,239	-	16,883
Surrey fund-raising	5,919	10,838	12,087	28,844
Grants	10,000	46,000	30,000	86,000
Senior Center meal contributions	6,231	10,624	-	16,855
Senior Center transportation	241	1,290	-	1,531
Total revenue	\$ <u>203,678</u>	\$ <u>223,936</u>	\$ <u>110,138</u>	\$ <u>537,752</u>
Employee expenses				
Staff wages	\$ 80,779	\$ 92,854	\$ 54,962	\$ 228,595
Employee FICA	6,071	6,739	4,205	17,015
PA unemployment tax	701	743	552	1,996
Workers compensation	1,001	1,001	595	2,597
Health insurance	11,762	19,559	4,410	35,731
Total employee expenses	<u>100,314</u>	<u>120,896</u>	<u>64,724</u>	<u>285,934</u>
Administrative expenses				
Rent	24,000	42,000	2,400	68,400
Telephone	500	750	100	1,350
Postage	318	250	75	643
Janitor services	8,831	5,520	-	14,351
Janitorial supplies	3,504	1,250	175	4,929
Office supplies	2,500	2,216	250	4,966
Payroll processing fees	700	700	700	2,100
Maintenance and repairs	4,340	5,894	-	10,234
Depreciation	3,250	3,250	-	6,500
Training	7,824	4,553	200	12,577
Total administrative expenses	<u>55,767</u>	<u>66,383</u>	<u>3,900</u>	<u>126,050</u>
Program expenses				
Option Home Mod Program Exp	-	-	32,289	32,289
Program supplies	5,525	915	-	6,440
Community transit	3,585	8,420	-	12,005
Senior Center social and recreation	15,051	2,994	-	18,045
Senior Center nutrition	5,844	4,854	-	10,698
Total program expense	<u>30,005</u>	<u>17,183</u>	<u>32,289</u>	<u>79,477</u>
Management				
Marketing	100	100	-	200
Staff/volunteer travel	472	874	375	1,721
Volunteer drivers	1,000	2,500	600	4,100
Insurance general and liability	1,020	1,000	100	2,120
Accounting service allocation	2,000	2,000	2,400	6,400
Surrey management	12,000	12,000	5,750	29,750
Consultants	1,000	1,000	-	2,000
Total management	<u>17,592</u>	<u>19,474</u>	<u>9,225</u>	<u>46,291</u>
Total expenses	\$ <u>203,678</u>	\$ <u>223,936</u>	\$ <u>110,138</u>	\$ <u>537,752</u>
Net surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SURREY SERVICES FOR SENIORS, INC.

SCHEDULES OF REVENUE AND EXPENSES FOR THE HAVERTOWN, MEDIA AND CHORE PROGRAMS YEAR ENDED JUNE 30, 2019

	Havertown	Media	Chore Connection	Total
Support and revenue				
COSA contract	\$ 155,829	\$ 146,685	\$ 20,480	\$ 322,994
Home modification program revenue	-	-	8,181	8,181
Senior Center programs	19,344	4,760	-	24,104
Surrey fund-raising	121	2,120	20,000	22,241
Grants	1,000	39,530	39,000	79,530
Membership	5,870	3,250	7,500	16,620
Senior Center meal contributions	7,463	18,786	-	26,249
Senior Center transportation	3,425	1,704	-	5,129
Total revenue	\$ 193,052	\$ 216,835	\$ 95,161	\$ 505,048
Employee expenses				
Staff wages	\$ 72,146	\$ 86,482	\$ 57,012	\$ 215,640
Employee FICA	5,396	6,291	4,361	16,048
PA unemployment tax	649	778	513	1,940
Workers compensation	1,001	791	530	2,322
Health insurance	10,057	19,478	4,688	34,223
Total employee expenses	89,249	113,820	67,104	270,173
Administrative expenses				
Rent	18,930	42,000	2,400	63,330
Telephone	603	1,482	100	2,185
Postage	202	225	75	502
Janitor services	9,552	6,000	-	15,552
Janitorial supplies	2,506	625	150	3,281
Office supplies	2,110	1,652	375	4,137
Payroll processing fees	700	700	700	2,100
Maintenance and repairs	5,878	5,012	-	10,890
Depreciation	3,750	-	-	3,750
Training	7,109	2,446	180	9,735
Total administrative expenses	51,340	60,142	3,980	115,462
Program expenses				
Option Home Mod Program Exp	-	-	14,527	14,527
Program supplies	5,200	400	150	5,750
Community transit	5,709	18,978	-	24,687
Senior Center social and recreation	19,759	1,750	-	21,509
Senior Center nutrition	3,390	2,155	-	5,545
Total program expense	34,058	23,283	14,677	72,018
Management				
Marketing	100	100	-	200
Staff/volunteer travel	505	990	375	1,870
Volunteer drivers	2,000	2,500	800	5,300
Insurance general and liability	800	900	75	1,775
Accounting service allocation	2,000	2,000	2,400	6,400
Surrey management	12,000	12,000	5,750	29,750
Consultants	1,000	1,100	-	2,100
Total management	18,405	19,590	9,400	47,395
Total expenses	\$ 193,052	\$ 216,835	\$ 95,161	\$ 505,048
Net surplus	\$ -	\$ -	\$ -	\$ -

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

To the Board of Directors
Surrey Services for Seniors, Inc.
Devon, Pennsylvania

We have audited, 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, the basic financial statements of the Surrey Services for Seniors, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control Over Financial Reporting

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

To the Board of Directors
Surrey Services for Seniors, Inc.
Devon, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Surrey Services for Seniors, Inc.'s 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 that testing, and not to provide an opinion on the effectiveness of the entity'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.



Limerick, Pennsylvania
October 27, 2020