

**SENIOR CITIZENS HOME ASSISTANCE
SERVICE, INC. AND SUBSIDIARIES**

Consolidated Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Senior Citizens Home Assistance Service, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Senior Citizens Home Assistance Service, Inc. and Subsidiaries (collectively the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors' 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 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 Citizens Home Assistance Service, Inc. and Subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of Senior Citizens Home Assistance Service, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their 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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

LBMCP

Knoxville, Tennessee
November 23, 2020

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

June 30, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 768,061	\$ 70,856
Accounts receivable, net of allowance for uncollectible accounts of \$2,235 and \$2,723 as of June 30, 2020 and 2019, respectively	445,795	483,751
Prepaid expenses and other current assets	<u>13,279</u>	<u>18,384</u>
Total current assets	<u>1,227,135</u>	<u>572,991</u>
Assets restricted to acquisition of property and equipment:		
Cash	<u>7,537</u>	<u>9,178</u>
Property and equipment, net	6,083,775	6,310,008
Endowment investments	152,246	129,786
Deposits - housing reserves	<u>-</u>	<u>7,655</u>
Total assets	<u>\$ 7,470,693</u>	<u>\$ 7,029,618</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 103,878	\$ 112,935
Accrued liabilities	517,820	485,124
Client deposits	43,732	62,792
Current installments of notes payable	438,423	74,916
Line of credit	<u>-</u>	<u>78,000</u>
Total current liabilities	1,103,853	813,767
Notes payable, excluding current installments and net of unamortized debt issuance costs of \$51,893 and \$66,280 as of 2020 and 2019, respectively	<u>2,228,628</u>	<u>1,838,847</u>
Total liabilities	<u>3,332,481</u>	<u>2,652,614</u>
Net assets:		
Without donor restrictions	3,978,429	4,238,040
With donor restrictions	<u>159,783</u>	<u>138,964</u>
Total net assets	<u>4,138,212</u>	<u>4,377,004</u>
Total liabilities and net assets	<u>\$ 7,470,693</u>	<u>\$ 7,029,618</u>

See accompanying notes to the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in net assets without restrictions:		
Revenues, gains, and other support:		
Private pay client fees	\$ 1,385,723	\$ 1,785,231
Client fees from government agencies	3,573,216	3,447,024
Residency fees	1,329,867	1,212,363
Contributions and grants:		
United Way	254,301	256,003
Grants	185,382	58,934
Local governments	56,750	52,850
Individuals	31,672	56,537
Special events	121,579	163,761
In-kind contributions	17,808	17,950
Dividends, interest and investment income, net	523	478
Net assets released from donor restrictions	<u>8,195</u>	<u>6,623</u>
	<u>6,965,016</u>	<u>7,057,754</u>
Expenses:		
Program services	6,545,888	6,461,096
Management and general	551,754	585,340
Fundraising	<u>126,985</u>	<u>166,225</u>
Total expenses	<u>7,224,627</u>	<u>7,212,661</u>
Decrease in assets without restrictions	<u>(259,611)</u>	<u>(154,907)</u>
Changes in assets with donor restrictions:		
Contributions and grants	19,208	12,131
Investment earnings in endowment investments, net	9,706	9,830
Net assets released from restrictions	<u>(8,195)</u>	<u>(6,623)</u>
Increase in assets with donor restrictions	<u>20,719</u>	<u>15,338</u>
Decrease in net assets	<u>(238,892)</u>	<u>(139,569)</u>
Net assets at beginning of year	<u>4,377,104</u>	<u>4,516,673</u>
Net assets at end of year	\$ <u>4,138,212</u>	\$ <u>4,377,104</u>

See accompanying notes to the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (238,892)	\$ (139,569)
Adjustments to reconcile decreases in net assets to cash flows provided (used) by operating activities:		
Depreciation	245,189	271,853
Provision for bad debts	1,970	1,641
Non-cash interest expense	14,906	14,110
Net unrealized gains on endowment investments	(6,792)	(5,988)
Realized gains on endowment investments, net	(1,958)	(2,886)
Changes in operating assets and liabilities:		
Accounts receivable	35,986	(51,194)
Pledges receivable	-	100
Prepaid expenses and other current assets	5,105	27,439
Accounts payable	(9,057)	(25,745)
Accrued liabilities	32,796	(124,069)
Client deposits	(19,060)	(19,614)
Deposits - housing reserves	<u>7,655</u>	<u>(1,720)</u>
Net cash provided (used) by operating activities	<u>67,848</u>	<u>(55,642)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(18,956)	(42,654)
Proceeds from (purchases of) endowment investments	<u>(13,710)</u>	<u>(4,107)</u>
Net cash used by investing activities	<u>(32,666)</u>	<u>(46,761)</u>
Cash flows from financing activities:		
Borrowing from (repayments of) line of credit, net	(78,000)	78,000
Proceeds from notes payable	807,700	-
Principal payments of notes payable	<u>(69,318)</u>	<u>(72,728)</u>
Net cash provided by financing activities	<u>660,382</u>	<u>5,272</u>
Increase (decrease) in cash	695,564	(97,131)
Cash, cash equivalents, and restricted cash at beginning of year	<u>80,034</u>	<u>177,165</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 775,598</u>	<u>\$ 80,034</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 82,280</u>	<u>\$ 95,983</u>

See accompanying notes to the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Consolidated Statements of Functional Expenses

Year ended June 30, 2020

	<u>Program</u>	<u>Management</u> <u>and</u>		
	<u>Services</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries - office	\$ 1,683,513	\$ 311,806	\$ 65,394	\$ 2,060,713
Salaries - assistants	2,826,248	-	-	2,826,248
Salaries - training	22,546	-	-	22,546
Fringe benefits	194,662	17,046	-	211,708
Payroll taxes	340,179	31,402	-	371,581
Bad debts, net of recoveries	1,970	-	-	1,970
Conferences	2,461	385	-	2,846
Computer	16,772	34,703	-	51,475
Depreciation	245,189	-	-	245,189
Dues and memberships	20,072	5,759	-	25,831
Employment screenings	22,269	-	-	22,269
Professional services	6,497	42,113	-	48,610
Insurance	187,835	6,572	-	194,407
Maintenance	122,655	9,645	-	132,300
Occupancy	247,559	73,712	-	321,271
Postage	5,132	830	-	5,962
Community education	38,665	-	-	38,665
Supplies	91,708	-	-	91,708
Telephone	32,472	6,708	-	39,180
Training	9,063	-	-	9,063
Transportation	52,391	958	-	53,349
Special events	-	-	61,591	61,591
Interest expense	96,661	-	-	96,661
Other	47,655	10,115	-	57,770
Assisted living food and supplies	119,970	-	-	119,970
Contract services	<u>111,744</u>	<u>-</u>	<u>-</u>	<u>111,744</u>
Total	\$ <u>6,545,888</u>	\$ <u>551,754</u>	\$ <u>126,985</u>	\$ <u>7,224,627</u>

See accompanying notes to the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Consolidated Statements of Functional Expenses

Year ended June 30, 2019

	<u>Program</u>	<u>Management</u> <u>and</u>		
	<u>Services</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries - office	\$ 1,562,654	\$ 330,428	\$ 63,064	\$ 1,956,146
Salaries - assistants	2,933,117	-	-	2,933,117
Salaries - training	41,640	-	-	41,640
Fringe benefits	117,633	11,800	-	129,433
Payroll taxes	322,333	51,859	-	374,192
Bad debts, net of recoveries	1,641	-	-	1,641
Conferences	242	1,342	-	1,584
Computer	13,600	31,273	-	44,873
Depreciation	271,853	-	-	271,853
Dues and memberships	16,857	2,528	-	19,385
Employment screenings	23,965	-	-	23,965
Professional services	5,030	41,878	-	46,908
Insurance	198,567	8,001	-	206,568
Maintenance	87,461	11,322	-	98,783
Occupancy	251,480	72,140	-	323,620
Postage	6,042	162	-	6,204
Printing	142	-	-	142
Community education	50,235	-	-	50,235
Supplies	67,978	-	-	67,978
Telephone	32,170	6,186	-	38,356
Training	6,110	-	-	6,110
Transportation	60,900	265	-	61,165
Special events	-	-	103,161	103,161
Interest expense	112,422	-	-	112,422
Other	42,365	16,156	-	58,521
Assisted living food and supplies	112,158	-	-	112,158
Contract services	<u>122,501</u>	<u>-</u>	<u>-</u>	<u>122,501</u>
Total	\$ <u>6,461,096</u>	\$ <u>585,340</u>	\$ <u>166,225</u>	\$ <u>7,212,661</u>

See accompanying notes to the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

(1) Nature of operations

Senior Citizens Home Assistance Service, Inc. ("SCHAS"), a non-profit Tennessee corporation, was organized in 1970 through the efforts of the Knoxville Housing Authority and is licensed by the Tennessee Department of Mental Health and Developmental Disabilities.

SCHAS is located in Knoxville, Tennessee and is governed by a voluntary Board of Directors. Its primary mission is to provide trained home aides for the senior citizens of Anderson, Blount, Bradley, Campbell, Claiborne, Cocke, Grainger, Hamblen, Jefferson, Knox, Loudon, McMinn, Meigs, Monroe, Morgan, Polk, Roane, Scott, Sevier, and Union Counties in Tennessee.

SCHAS formed SCHAS, LLC, a single member Tennessee non-profit limited liability corporation in 2008. SCHAS, LLC manages Renaissance Terrace, which opened in December 2008. Renaissance Terrace is a 48 unit assisted living facility located in Knoxville, Tennessee. The operations of SCHAS, LLC are included in these consolidated financial statements.

SCHAS formed SCHAS Claiborne, LLC, a single member Tennessee non-profit limited liability corporation in May 2016. SCHAS Claiborne, LLC was established to acquire a 9 unit apartment independent living facility located in Tazewell, Tennessee. The property was acquired on April 25, 2017. The operations of SCHAS Claiborne, LLC are included in these consolidated financial statements.

(2) Summary of significant accounting policies

The consolidated financial statements of SCHAS and its subsidiaries (collectively, the "Organization") are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP"). The significant accounting policies followed are described below.

(a) Adopted accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance eliminates the transaction and industry-specific revenue recognition guidance under current GAAP and replaces it with a principles-based approach. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

The five step model defined by ASU 2014-09 requires the Organization to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 additionally enhances the required disclosures surrounding the nature, amount, timing and uncertainty of revenues and the associated cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract.

The Organization adopted this guidance on July 1, 2019, using the modified retrospective method. There was no cumulative effect adjustment to the opening balance of net assets as of July 1, 2019, as the adoption did not result in a material change to the Organization's revenue recognition.

(b) New accounting pronouncements

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting applicable to reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

(c) Principles of consolidation

These consolidated financial statements include the accounts of the Organization and its affiliates, SCHAS, LLC and SCHAS Claiborne, LLC (the "Subsidiaries"). All significant intercompany accounts and transactions have been eliminated.

(d) Basis of presentation

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions - Net assets that are 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

All contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions in those net asset classes. The Organization has elected to report all donor-restricted contributions whose restrictions are met in the same reporting year as support without donor restrictions.

(e) Receivables and credit policies

Accounts receivable are uncollateralized client obligations due under normal trade terms requiring payment within 30 days from invoice date. Late or interest charges on delinquent accounts are not recorded until collected. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected. The allowance is estimated based on management's knowledge of its customers, historical loss experience and existing economic conditions.

(f) Property and equipment

Property and equipment are recorded at cost, or in the case of donated property, at the estimated fair value at the date of receipt. Depreciation is provided over the assets' estimated useful lives using the straight-line method, generally three to thirty-nine years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When equipment is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(g) Income taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the consolidated financial statements. SCHAS, LLC and SCHAS Claiborne, LLC are disregarded as entities for federal income tax purposes.

An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Organization has no material uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

As of June 30, 2020, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense. The Organization files a U.S. Federal nonprofit tax return annually. The Organization is subject to routine audits by the Internal Revenue Service, but no audits are ongoing at this time.

(h) Revenue recognition

Under Topic 606, a contract with a client or the client's insurance provider is an agreement which both parties have approved (whether explicitly or implicitly), that creates enforceable rights and obligations, has commercial substance, where payment terms are identified and collectibility is probable. Once the Organization has entered into a contract, it is evaluated to identify performance obligations. The Organization recognizes revenue in the period in which it satisfies the performance obligations under the contract by transferring the promised services to clients in an amount that reflects the consideration the Organization expects to receive in exchange for providing client care.

Prior to 2020, revenue was presented in accordance with ASC Topic 605 *Revenue Recognition*, accordingly revenue was recognized when all of the following conditions were satisfied: a) persuasive evidence of an arrangement existed, b) price was fixed or determinable, c) collectibility was reasonably assured, and d) services were rendered.

Contributions are recorded as support when received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support, depending on the nature of the restriction. When a donor restriction expires, net assets with restrictions are reclassified to net assets without restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Restricted grants and contributions whose restrictions are met in the same reporting period as they are received are reported as unrestricted. Revenue from services is recognized when the service is rendered.

Contributions of property and equipment and other long-lived assets with explicit restrictions that specify how the assets are to be used, including cash contributed to acquire such assets, are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the expiration of donor restrictions is reported when the donated or acquired assets are placed in service.

Unpaid volunteers have donated their time to develop and staff certain of the Organization's programs. No amounts have been reflected in the consolidated financial statements for those services since they do not meet the criteria for recognition under GAAP.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

(i) Long-lived assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(j) Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly related to a specific function are charged to that function. Salaries and benefits are allocated based on an analysis of time spent on program services and other activities.

(k) Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Reclassifications

Certain reclassifications have been made to the 2019 financial statements in order for them to conform to the 2020 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(m) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2020 and November 23, 2020, which is the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

(3) Liquidity

A summary of the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of donor-imposed restrictions, within one year of the statement of financial position date is as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 775,598	\$ 80,034
Various receivables	445,795	483,851
Endowment investments	<u>152,246</u>	<u>129,786</u>
Financial assets at end of year	1,373,639	693,671
Restricted by donors with purpose restrictions	(7,537)	(9,178)
Endowment investments	<u>(152,246)</u>	<u>(129,786)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,213,856</u>	\$ <u>554,707</u>

(4) Concentrations

The Organization occasionally maintains cash on deposit at banks in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Approximately 52% and 55% of the Organization's client fees from government agencies for the years ended June 30, 2020 and 2019, respectively, was received through the State of Tennessee TennCare CHOICES in Long-term Care Program (formerly the Medicaid Waiver Program) ("CHOICES"). Accounts receivable from the CHOICES program was 15% of accounts receivable at June 30, 2020 and 2019.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

(5) Endowment investments

The Board of Directors established an endowment fund to exist in perpetuity to support the programs, clients and residents of the Organization. The Board of Directors restricted these funds so that annual distributions to organizational recipients would not exceed 4% of fund assets, determined as of December 31 of the prior year. The endowment fund's investment policy sets a target rate of return at 2% achieved through preferred asset allocations of 50% equities, 45% fixed income and 5% cash and equivalents. A summary of the endowment fund's investments at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ -	\$ 1,772
Equity mutual funds	107,287	88,988
Fixed income mutual funds	<u>44,959</u>	<u>39,026</u>
	<u>\$ 152,246</u>	<u>\$ 129,786</u>

The following schedule summarizes the investment activities in the consolidated statements of activities for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 129,786	\$ 116,805
Contributions	13,710	8,756
Dividend income and realized gains (losses)	3,007	(807)
Unrealized gains on investments, net	6,792	5,988
Fees paid	<u>(1,049)</u>	<u>(956)</u>
Ending balance	<u>\$ 152,246</u>	<u>\$ 129,786</u>

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

During 2007, the state of Tennessee adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Organization intends to permit the use of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as temporarily restricted net assets (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 fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (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 Organization
- (7) The investment policies of the Organization

(6) Property and equipment

A summary of property and equipment as of June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 472,005	\$ 472,005
Buildings and improvements	7,867,490	7,867,490
Furniture and equipment	842,646	840,404
Computer equipment	219,200	212,996
Automobiles	50,048	50,048
Office equipment	<u>21,420</u>	<u>21,420</u>
	9,472,809	9,464,363
Accumulated depreciation	<u>(3,389,034)</u>	<u>(3,154,355)</u>
	<u>\$ 6,083,775</u>	<u>\$ 6,310,008</u>

(7) Line of credit

The Organization has a \$400,000 revolving line of credit with a bank that matures on January 20, 2021. The line of credit bears interest at the bank's current index rate, not less than 4.75% (5.75% at June 30, 2020). The line of credit is secured by Renaissance Terrace, assigned leases and rents, and Senior Citizens Home Assistance Service security agreement. The Organization did not have an outstanding balance under the line at June 30, 2020.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

(8) Long-term debt

In February 2020, the Organization modified an existing note payable entered into January 2018 with a bank that matures February 5, 2025. The note bears interest at a fixed rate of 4.60%. The note payable is secured by Renaissance Terrace, and guarantees of SCHAS and SCHAS Claiborne, LLC. The Organization had an outstanding balance of \$1,823,374 and \$1,859,549 at June 30, 2020 and 2019, respectively.

SCHAS Claiborne, LLC has a note payable with a bank that matures November 25, 2022. The note bears interest at the bank's index rate (4.00% at June 30, 2020). The note payable is secured by a building. The outstanding balance was \$88,051 and \$120,494 at June 30, 2020 and 2019, respectively.

A summary of future maturities of long-term debt as of June 30, 2020 is as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 74,915
2022	76,838
2023	63,446
2024	46,203
2025	<u>1,650,023</u>
	<u>\$ 1,911,425</u>

(9) Paycheck protection program

During April 2020, the Organization utilized the Paycheck Protection Program ("PPP") from the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act to support operations during the COVID-19 pandemic. The Organization received a \$807,700 note payable that will bear interest of 1% and will be due in 18 equal monthly installments of principal and interest on any amount not forgiven beginning in November 2020 with a final payment of unpaid principal and interest due by April 7, 2022.

A summary of future maturities of the PPP loan as of June 30, 2020 is as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 358,978
2022	<u>448,722</u>
	<u>\$ 807,700</u>

However, the Organization intends to apply for debt forgiveness under the terms of the CARES Act and anticipates not having to repay the note balance as scheduled above.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

(10) Net assets with donor restrictions

Net assets with donor restrictions as of June 30, 2020 and 2019 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Restricted for the new corporate offices and assisted living facility:		
Cash	\$ 7,537	\$ 9,178
Restricted endowment investments:		
Investments	<u>152,246</u>	<u>129,786</u>
	<u>\$ 159,783</u>	<u>\$ 138,964</u>

(11) Retirement plan

The Organization has a 401(k) plan covering substantially all employees. The Organization matches employee contributions up to 2% of their compensation, once the employee has completed one year of service with at least 1,000 hours of service. Benefits fully vest after 3 years of service. The Organization made contributions totaling \$52,038 and \$45,731 for the years ended June 30, 2020 and 2019, respectively.

Additionally, the Organization has a simplified employee pension plan that covers all employees who have worked at least 1,040 hours for the year. Contributions to the Plan were previously made at the rate of 5% of each eligible employee's compensation. Effective April 1, 2009, the Plan was amended to cease employer contributions for any participation after March 31, 2009.

(12) Lease commitments

The Organization leases office facilities in various locations. Rent expense under these leases amounted to \$59,058 and \$65,308 in 2020 and 2019, respectively.

A portion of the rent expense consists of donated use of facilities. The value of donated use of facilities meeting the requirements for recognition in the consolidated financial statements was \$17,808 for years ended June 30, 2020 and 2019, and related primarily to rent and other occupancy expense.

It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the expense for 2020.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

(13) Assets and liabilities measured at fair value

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Organization does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2020.

(a) Financial instruments

The carrying amount of financial instruments, consisting of cash, accounts receivable, other accounts receivable, pledges receivable, accounts payable, other current liabilities, and the current installments of notes payable approximate their fair value due to their relatively short maturities. Non-current notes payable is carried at amortized cost, which approximates fair value. Investments are carried at fair value, based on quoted prices in an active market.

(b) Non-financial assets

The Organization's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Organization is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the years ended June 30, 2020 and 2019, there were no triggering events that prompted an asset impairment test of the Organization's non-financial assets. Accordingly, the Organization did not measure any non-recurring, non-financial assets or recognize any amounts in the consolidated statements of activities related to changes in fair value for non-financial assets for the years ended June 30, 2020 and 2019.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020 and 2019:

**Fair Value Measurements as of
June 30, 2020 using the following inputs**

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment investments:				
Equity mutual funds	\$ 107,287	\$ 107,287	\$ -	\$ -
Fixed income mutual funds	<u>44,959</u>	<u>44,959</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 152,246</u>	<u>\$ 152,246</u>	<u>\$ -</u>	<u>\$ -</u>

**Fair Value Measurements as of
June 30, 2019 using the following inputs**

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment investments:				
Money market funds	\$ 1,772	\$ 1,772	\$ -	\$ -
Equity mutual funds	88,988	88,988	-	-
Fixed income mutual funds	<u>39,026</u>	<u>39,026</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 129,786</u>	<u>\$ 129,786</u>	<u>\$ -</u>	<u>\$ -</u>

(14) Donated facilities, services and supplies

The value of donated use of facilities meeting the requirements for recognition in the financial statements was \$17,808 for the years ended June 30, 2020 and 2019, related primarily to rent and other occupancy expense.

Unpaid volunteers have donated their time to develop and staff certain of the Organization's programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under GAAP.

(15) Contingent liabilities

HUD holds a mortgage note and deed of trust as evidence of its interest in the housing project developed by SCHAS, Claiborne, LLC. The mortgage note is \$133,280. The note does not require repayment nor any interest if the payments are made available to very low income elderly persons for a period of fifteen years. In the event of a default on the terms and conditions, the full balance would be due and payable to HUD on demand along with interest from inception of the loan at a rate to be determined by HUD.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

(16) Subsequent event

As of the date this report was available to be issued, the United States, as well as many other countries around the world, was experiencing an emerging infectious disease (COVID-19) outbreak, impacting individuals, governments, businesses and financial markets with unprecedented disruption and risk. While it is not possible to predict the impacts of the outbreak on the Organization's financial condition and results of operations, significant disruptions to key business drivers, such as lack of fundraising and decreased service hours, have occurred at the Organization since the onset of COVID-19. The Organization is designated as an essential business thus it has not been required to shut down operations in 2020. Management is closely monitoring the situation and developing strategies designed to mitigate such impacts, including the PPP loan of \$807,700, but believes the Organization's liquidity will adequately support the Organization.



**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***

The Board of Directors of
Senior Citizens Home Assistance Service, Inc. and Subsidiaries:

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 consolidated financial statements of Senior Citizens Home Assistance Service, Inc. and Subsidiaries (the "Organization"), 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 of Senior Citizens Home Assistance Service, Inc. and Subsidiaries (the "Organization"), as of and for the year ended June 30, 2020, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LBMC, PC

Knoxville, Tennessee
November 23, 2020