

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

Consolidated Financial Statements

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

LBMC

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Senior Citizens Home Assistance Service, Inc. and Subsidiary (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, 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 ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with GAAP; and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2025, on our consideration of the Organization'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 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.

LBMC, PC

Knoxville, Tennessee
November 21, 2025

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2025 and 2024

Assets

	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and cash equivalents	\$ 1,156,170	\$ 969,490
Accounts receivable, net	319,107	316,162
Prepaid expenses and other current assets	<u>20,609</u>	<u>18,848</u>
Total current assets	1,495,886	1,304,500
Cash restricted to acquisition of property and equipment	16,031	17,492
Property and equipment, net	308,332	361,487
Endowment investments	220,126	197,693
Operating lease right-of-use assets	<u>287,352</u>	<u>275,670</u>
Total assets	\$ <u>2,327,727</u>	\$ <u>2,156,842</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 40,224	\$ 53,387
Accrued liabilities	527,003	460,965
Client deposits	29,988	40,209
Current installments of operating lease liabilities	<u>132,199</u>	<u>90,337</u>
Total current liabilities	729,414	644,898
Operating lease liabilities, excluding current installments	<u>156,664</u>	<u>190,271</u>
Total liabilities	<u>886,078</u>	<u>835,169</u>
Net assets:		
Without donor restrictions	1,072,212	973,208
With donor restrictions	<u>369,437</u>	<u>348,465</u>
Total net assets	<u>1,441,649</u>	<u>1,321,673</u>
Total liabilities and net assets	\$ <u>2,327,727</u>	\$ <u>2,156,842</u>

See accompanying notes to the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Consolidated Statements of Activities

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Changes in net assets without donor restrictions:		
Revenues, gains, and other support:		
Client fees from government agencies	\$ 4,764,013	\$ 3,718,555
Private pay client fees	658,276	727,311
Contributions and grants:		
United Way	199,644	271,430
Grants	100,640	116,083
Local governments	30,050	36,695
Individuals	21,149	32,011
Special events	66,540	154,593
Interest income	28,043	17,861
Gain on disposal of automobile	-	567
Net assets released from donor restrictions	<u>3,535</u>	<u>1,114</u>
Total revenues, gains, and other support	<u>5,871,890</u>	<u>5,076,220</u>
Expenses:		
Program services	4,838,686	4,537,631
Management and general	877,582	705,007
Fundraising	<u>56,618</u>	<u>88,793</u>
Total expenses	<u>5,772,886</u>	<u>5,331,431</u>
Increase (decrease) in net assets without donor restrictions	<u>99,004</u>	<u>(255,211)</u>
Changes in assets with donor restrictions:		
Contributions and grants	-	100
Investment earnings in endowment investments, net	24,507	25,491
Net assets released from restrictions	<u>(3,535)</u>	<u>(1,114)</u>
Increase in net assets with donor restrictions	<u>20,972</u>	<u>24,477</u>
Increase (decrease) in net assets	<u>119,976</u>	<u>(230,734)</u>
Net assets at beginning of year	<u>1,321,673</u>	<u>1,552,407</u>
Net assets at end of year	<u>\$ 1,441,649</u>	<u>\$ 1,321,673</u>

See accompanying notes to the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 119,976	\$ (230,734)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	53,155	50,286
Provision for credit losses	8,014	12,720
Gain on disposal of automobile	-	(567)
Net unrealized gains on endowment investments	(20,956)	(22,778)
Realized gains on endowment investments, net	-	(2,425)
Amortization of operating lease right-of-use assets	115,522	94,316
Changes in operating assets and liabilities:		
Accounts receivable	(10,959)	89,500
Prepaid expenses and other current assets	(1,761)	30,283
Accounts payable	(13,163)	23,439
Accrued liabilities	66,038	(166,314)
Client deposits	(10,221)	(871)
Operating lease liabilities	<u>(118,949)</u>	<u>(89,378)</u>
Net cash provided (used) by operating activities	<u>186,696</u>	<u>(212,523)</u>
Cash flows from investing activities:		
Proceeds from disposal of automobile	-	4,200
Purchases of property and equipment	-	(37,100)
Proceeds from endowment investments	2,074	7,651
Purchases of endowment investments	<u>(3,551)</u>	<u>(158)</u>
Net cash used by investing activities	<u>(1,477)</u>	<u>(25,407)</u>
Increase (decrease) in cash, cash equivalents and restricted cash	185,219	(237,930)
Cash, cash equivalents, and restricted cash at beginning of year	<u>986,982</u>	<u>1,224,912</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 1,172,201</u>	<u>\$ 986,982</u>
Supplemental disclosures:		
Operating ROU assets obtained in exchange for lease liabilities	<u>\$ 127,204</u>	<u>\$ -</u>
Composition of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents at end of year	\$ 1,156,170	\$ 969,490
Cash restricted to acquisition of property and equipment	<u>16,031</u>	<u>17,492</u>
	<u>\$ 1,172,201</u>	<u>\$ 986,982</u>

See accompanying notes to the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Consolidated Statements of Functional Expenses

Year Ended June 30, 2025

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages - office	\$ 867,771	\$ 548,326	\$ 14,959	\$ 1,431,056
Salaries and wages - assistants	2,724,646	-	-	2,724,646
Salaries and wages - training	21,120	-	-	21,120
Payroll taxes and fringe benefits	391,517	59,726	1,239	452,482
Credit losses, net of recoveries	8,014	-	-	8,014
Computer	40,664	49,511	-	90,175
Depreciation	53,155	-	-	53,155
Dues and memberships	6,836	5,592	-	12,428
Professional services	-	120,688	-	120,688
Insurance	175,616	6,939	-	182,555
Occupancy	181,023	5,145	-	186,168
Equipment rent expense	22,802	-	-	22,802
Printing	2,186	-	-	2,186
Community education	47,762	7,512	-	55,274
Supplies	101,536	20,021	-	121,557
Telephone	16,626	19,047	-	35,673
Training	15,109	-	-	15,109
Transportation	73,475	8,580	-	82,055
Special events	-	-	40,420	40,420
Other	27,803	26,495	-	54,298
Direct assistance to individuals - food and supplies	36,453	-	-	36,453
Contract services	<u>24,572</u>	<u>-</u>	<u>-</u>	<u>24,572</u>
Total	\$ <u>4,838,686</u>	\$ <u>877,582</u>	\$ <u>56,618</u>	\$ <u>5,772,886</u>

See accompanying notes to the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Consolidated Statements of Functional Expenses

Year Ended June 30, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages - office	\$ 731,283	\$ 456,860	\$ 27,916	\$ 1,216,059
Salaries and wages- assistants	2,643,745	-	-	2,643,745
Salaries and wages - training	17,040	-	-	17,040
Payroll taxes and fringe benefits	220,275	49,508	-	269,783
Credit losses, net of recoveries	12,720	-	-	12,720
Computer	14,842	52,013	-	66,855
Depreciation	50,286	-	-	50,286
Dues and memberships	6,344	3,858	-	10,202
Professional services	-	95,886	-	95,886
Insurance	263,175	8,319	-	271,494
Occupancy	166,628	6,141	-	172,769
Equipment rent expense	26,145	-	-	26,145
Community education	54,103	7,428	-	61,531
Supplies	74,611	-	-	74,611
Telephone	29,439	14,809	-	44,248
Training	7,515	-	-	7,515
Transportation	90,567	175	-	90,742
Special events	-	-	60,877	60,877
Other	6,790	10,010	-	16,800
Direct assistance to individuals - food and supplies	109,984	-	-	109,984
Contract services	<u>12,139</u>	<u>-</u>	<u>-</u>	<u>12,139</u>
Total	<u>\$ 4,537,631</u>	<u>\$ 705,007</u>	<u>\$ 88,793</u>	<u>\$ 5,331,431</u>

See accompanying notes to the consolidated financial statements.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

(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 Substance Abuse Services.

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 Claiborne, LLC, a single member Tennessee non-profit limited liability corporation in May 2016. SCHAS Claiborne, LLC was established to acquire Cedar Point Living, a 9 unit apartment independent living facility located in Tazewell, Tennessee. 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 subsidiary (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) Principles of consolidation

The consolidated financial statements include the accounts of SCHAS and its subsidiary, SCHAS Claiborne, LLC (the "Subsidiary"). All significant intercompany balances and transactions have been eliminated in consolidation.

(b) 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 SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

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.

(c) Endowment investments

Investments consist primarily of mutual funds with readily determinable fair values which are shown at their fair values in the consolidated statements of financial position. Investment income consists of interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment income is reported in the period earned as an increase in net assets with donor restrictions.

(d) 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.

(e) 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.

(f) Income taxes

SCHAS 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 Claiborne, LLC is disregarded as an entity for federal income tax purposes.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

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.

As of June 30, 2025 and 2024, 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. SCHAS files a U.S. Federal nonprofit tax return annually. SCHAS is subject to routine audits by the Internal Revenue Service, but no audits are ongoing at this time.

(g) Revenue recognition

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. Revenue from services provided to the clients of SCHAS is recognized when the service is rendered. Monthly revenue from SCHAS Claiborne, LLC is billed monthly and recognized ratably for the daily services provided.

Contributions are recorded as support when an unconditional pledge is made or cash contributions 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 restricted support, depending on the nature of the restriction. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements 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.

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.

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

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.

(h) Leases

The Organization determines whether an arrangement is or contains a lease at lease inception. On the commencement date, operating leases are recorded as operating right-of-use ("ROU") assets and lease liabilities in the consolidated statements of financial position for non-cancelable operating leases with original or remaining lease terms in excess of one year. Leases with a lease term of 12 months or less at inception are not recorded in the consolidated statements of financial position and are expensed on a straight-line basis over the lease term in the consolidated statements of activities. ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term. The Organization holds no finance leases at June 30, 2025 and 2024.

Operating ROU assets and lease liabilities are recorded at the present value of the lease payments over the lease term. The present value of the lease payments are discounted using the risk free rate based on information available at the lease commencement date. The variable components (if any) of the lease payment that fluctuate with the usage of the leased asset are not included in determining the ROU assets and lease liabilities. Rather, these variable components are expensed as incurred.

ROU assets, if any, will be assessed for impairment in accordance with the Organization's long-lived asset policy. Management will reassess lease classification and remeasure ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment.

Accounting Policy Elections

The Organization has elected the accounting policy expedient to exclude recording short-term leases less than twelve months, for all asset classes, as ROU assets and lease liabilities on the consolidated statements of financial position. The Organization has elected the accounting policy practical expedient to recognize lease components and non-lease components together and not as separate parts of a lease for real estate leases. Finally, the Organization has elected the accounting policy to utilize the risk free rate in place of the incremental borrowing rate on leases in which an implicit rate is not readily-available.

(i) Long-lived assets

If certain triggering events occur, management evaluates the recoverability of the investment in long-lived assets 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.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

(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 , wages 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) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2025 and November 21, 2025, which is the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

(3) Liquidity

A summary of the Organization's financial assets as of June 30, 2025 and 2024, available to meet current obligations, reduced by amounts not available for general use because of donor-imposed restrictions, within one year of the consolidated statement of financial position date is as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,172,201	\$ 986,982
Accounts receivable	319,107	316,162
Endowment investments	<u>220,126</u>	<u>197,693</u>
Financial assets at end of year	1,711,434	1,500,837
Restricted by donors with purpose restrictions	(16,031)	(17,492)
Endowment investments	<u>(220,126)</u>	<u>(197,693)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,475,277</u>	\$ <u>1,285,652</u>

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

(4) Concentrations

The Organization 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 90% and 79% of the Organization's client fees from government agencies for the years ended June 30, 2025 and 2024, respectively, were received through the State of Tennessee OPTIONS for Community Living program ("OPTIONS") as well as from the U.S Department of Veteran Affairs ("VA"). Accounts receivable from the OPTIONS and VA programs were 88% and 80% of accounts receivable at June 30, 2025 and 2024, respectively.

(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 Organization may make annual distributions to organizational recipients not to 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, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Equity mutual funds	\$ 158,085	\$ 142,303
Fixed income mutual funds	<u>62,041</u>	<u>55,390</u>
	<u>\$ 220,126</u>	<u>\$ 197,693</u>

The following schedule summarizes the investment activities in the consolidated statements of activities for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 197,693	\$ 179,983
Contributions	-	158
Dividend income	5,179	3,867
Realized/unrealized gains on investments, net	20,956	22,778
Distributions	(2,074)	(7,651)
Fees paid	<u>(1,628)</u>	<u>(1,442)</u>
Ending balance	<u>\$ 220,126</u>	<u>\$ 197,693</u>

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

The Organization has adopted the Tennessee 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 net assets with donor restrictions (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, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 8,500	\$ 8,500
Buildings and improvements	382,622	382,622
Furniture and equipment	126,881	143,675
Computer equipment	104,557	138,002
Automobiles	141,927	148,265
Office equipment	<u>16,827</u>	<u>20,573</u>
	781,314	841,637
Accumulated depreciation	<u>(472,982)</u>	<u>(480,150)</u>
	<u>\$ 308,332</u>	<u>\$ 361,487</u>

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

(7) Net assets with donor restrictions

Net assets with donor restrictions as of June 30, 2025 and 2024 are available for the following purposes:

	<u>2025</u>	<u>2024</u>
Cash restricted for the new corporate offices and assisted living facility	\$ 16,031	\$ 17,492
Restricted endowment investments	220,126	197,693
HUD restricted contribution (Note 11)	<u>133,280</u>	<u>133,280</u>
	<u>\$ 369,437</u>	<u>\$ 348,465</u>

(8) 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 \$57,710 and \$53,635 for the years ended June 30, 2025 and 2024, 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.

(9) Lease commitments

The Organization's lease portfolio primarily consists of various operating leases for its office spaces. The Organization determines if an arrangement is a lease at inception of a contract and determines the lease term by assuming exercise of any renewal options that are reasonably certain.

The Organization incurred \$168,943 and \$158,066 in operating lease costs for the years ended June 30, 2025 and 2024, respectively. Operating lease expense of \$35,121 and \$53,468 from short-term leases with initial terms of 12 months or less was incurred for the years ended June 30, 2025 and 2024, respectively.

Supplemental cash flow information related to leases are as follows for the years ended June 30, 2025 and 2024:

Cash paid for amounts included in the measurement of lease liabilities:

	<u>2025</u>	<u>2024</u>
Operating cash flows for operating leases	\$ <u>132,544</u>	\$ <u>102,144</u>

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

Additional supplemental information regarding assumptions for leases as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease terms (in years)	2.18	3.09
Weighted-average discount rate	3.48%	3.91%

Minimum Lease Payments

The maturities of operating lease liabilities as of June 30, 2025 are as follows:

<u>Year</u>	<u>Amount</u>
2026	\$ 140,138
2027	126,078
2028	<u>34,214</u>
Total undiscounted cash flows	300,430
Less: present value discount	11,567
Less: operating lease liabilities, current portion	<u>132,199</u>
Operating lease liabilities, excluding current portion	\$ <u>156,664</u>

(10) Fair value measurements

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, 2025 and 2024.

(a) Financial instruments

The carrying amount of financial instruments, consisting of cash, accounts receivable, accounts payable, and other current liabilities approximate their fair value due to their relatively short maturities. Long-term lease liabilities are carried at discounted present value, which approximates fair value. Investments are carried at fair value, based on quoted prices in an active market.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

(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, 2025 and 2024, 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, 2025 and 2024.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2025 and 2024:

Fair Value Measurements as of
June 30, 2025 Using the Following Inputs

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment investments:				
Equity mutual funds	\$ 158,085	\$ 158,085	\$ -	\$ -
Fixed income mutual funds	<u>62,041</u>	<u>62,041</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 220,126</u>	<u>\$ 220,126</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Measurements as of
June 30, 2024 Using the Following Inputs

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment investments:				
Equity mutual funds	\$ 142,303	\$ 142,303	\$ -	\$ -
Fixed income mutual funds	<u>55,390</u>	<u>55,390</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 197,693</u>	<u>\$ 197,693</u>	<u>\$ -</u>	<u>\$ -</u>

(11) Contingent liabilities

The United States Department of Housing and Urban Development ("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 housing project is made available to very low income elderly persons for a period of fifteen years, which currently runs through April 25, 2032. 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.



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

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

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 Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 21, 2025.

Report on 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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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. Therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, identified in the accompanying Schedule of Findings as item 2025-001 that we consider to be a material weakness.

Report on 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 their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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*.

The Organization's Response to Findings

Government Auditing Standards requires the auditors to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings. The Organization's response was not subject to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 21, 2025

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Schedule of Findings

Year Ended June 30, 2025

Financial Statement Audit - Material Weakness

Finding 2025-001: Management Should Continue to Evaluate and Review Significant Account Reconciliations and Adjustments

Criteria: Certain amounts recorded in the Organization's trial balance were not accurate and had to be later adjusted in response to certain of our audit inquiries. This included accounts receivable, prepaid expenses, accounts payable, accrued liabilities, and cash.

Condition: The Organization had experienced turnover in certain key positions including the Chief Executive Officer (CEO) and Controller positions during 2024. During the 2025 fiscal year, the Organization hired a new CEO and other key personnel to assist in the financial preparation and review process, however these individuals were not employed for the entire year. As such, account reconciliations and adjustments did not have proper segregation of preparation and review procedures for a considerable portion of the year.

Effect: Assets, liabilities, revenues and expenses were misstated.

Cause: We found that turnover of key staff often cause issues such as the ones identified above.

Recommendation: We recommend that management continue to implement key control activities surrounding account reconciliations and journal entry reviews. Additional training should be provided where needed. In particular, the financial reporting should be modified so that accurate amounts are automatically produced by the system where appropriate. In addition, we also recommend that further review controls are implemented to ensure that financial reported amounts are correct prior to the commencement of the audit process.

Management's response: Management acknowledges the shortcomings identified in our financial reporting processes for the 2024 and 2025 fiscal years, which resulted in a material weakness. We have recently hired additional team members to assist in the preparation and reconciliation of financial information. In addition, we have reviewed our month-end and year-end financial close processes as well as reviewed all adjusting entries made as a result of audit inquiries related to the 2024 and 2025 fiscal years. As a result of this review, we have identified various enhanced review controls over significant financial statement areas that we will implement to more effectively and timely identify and correct errors. Management will continue to monitor and evaluate the effectiveness of these controls and will implement any additional measures necessary to ensure that the material weakness is fully remediated and that our internal control environment remains strong and reliable.

SENIOR CITIZENS HOME ASSISTANCE SERVICE, INC. AND SUBSIDIARY

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2025

The following is a summary of the status of the audit finding reported in the prior audit's schedule of findings for the year ended June 30, 2024.

Finding Reference: 2024-001 as 2025-001

Fiscal Year Reported: 2024

Condition Summary: Lack of Reconciliations and Review

Current Status: Not Corrected - Finding Repeated