

Pender Adult Services, Inc.

Financial Statements
For the Year Ended June 30, 2021
(with Comparative Totals for 2020)

Pender Adult Services, Inc.

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pender Adult Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Pender Adult Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pender Adult Services, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards (on pages 18 and 19), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021, on our consideration of Pender Adult Services, 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 Pender Adult Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pender Adult Services, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Pender Adult Services, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eamy & Company, L.L.P.

Wilmington, North Carolina
October 25, 2021

Pender Adult Services, Inc.
Statement of Financial Position
As of June 30, 2021

	2021			Total	2020 Comparative Total
	Without Donor Restrictions Operating	Property	With Donor Restrictions		
ASSETS					
Current Assets					
Cash & cash equivalents	\$1,282,431	\$ 187,360	\$ 150,000	\$1,619,791	\$ 897,109
Investments	251,143	-	-	251,143	411,562
Grant & contract receivables	423,105	-	-	423,105	347,273
Patient receivables, net	104,159	-	-	104,159	151,406
Total Current Assets	<u>2,060,838</u>	<u>187,360</u>	<u>150,000</u>	<u>2,398,198</u>	<u>1,807,350</u>
Net property (Note 2)	-	2,644,847	-	2,644,847	2,629,661
Total Assets	<u>\$2,060,838</u>	<u>\$2,832,207</u>	<u>\$ 150,000</u>	<u>\$5,043,045</u>	<u>\$4,437,011</u>
LIABILITIES & NET ASSETS					
Current Liabilities					
Accounts payable	\$ 49,782	\$ -	\$ -	\$ 49,782	\$ 40,827
Accrued liabilities	269,128	-	-	269,128	247,143
Unearned revenue	9,135	-	-	9,135	7,064
Current portion of note payable	-	21,641	-	21,641	20,660
Total Current Liabilities	<u>328,045</u>	<u>21,641</u>	<u>-</u>	<u>349,686</u>	<u>315,694</u>
Long-Term Liabilities					
Refundable advance	-	-	-	-	108,798
Note payable (Note 4)	-	186,642	-	186,642	208,451
Total Long-Term Liabilities	<u>-</u>	<u>186,642</u>	<u>-</u>	<u>186,642</u>	<u>317,249</u>
Total Liabilities	<u>328,045</u>	<u>208,283</u>	<u>-</u>	<u>536,328</u>	<u>632,943</u>
Net Assets					
Without donor restrictions	1,732,793	2,623,924	-	4,356,717	3,804,068
With donor restrictions	-	-	150,000	150,000	-
Total Net Assets	<u>1,732,793</u>	<u>2,623,924</u>	<u>150,000</u>	<u>4,506,717</u>	<u>3,804,068</u>
Total Liabilities & Net Assets	<u>\$2,060,838</u>	<u>\$2,832,207</u>	<u>\$ 150,000</u>	<u>\$5,043,045</u>	<u>\$4,437,011</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Pender Adult Services, Inc.
Statement of Activities
For the Year Ended June 30, 2021

	2021			Total	2020 Comparative Total
	Without Donor Restrictions Operating	Property	With Donor Restrictions		
PUBLIC SUPPORT					
Other grants	\$ 1,200	\$ -	\$ 199,000	\$ 200,200	\$ 2,400
United Way	-	-	-	-	429
Government grants	-	-	1,022,804	1,022,804	817,338
Cape Fear Council of Governments	-	-	821,043	821,043	541,090
PPP loan advance	-	-	108,798	108,798	212,602
Special events, net	41,855	-	-	41,855	45,967
Net assets released from restriction	<u>2,001,645</u>	-	<u>(2,001,645)</u>	-	-
Total Public Support	<u>2,044,700</u>	-	<u>150,000</u>	<u>2,194,700</u>	<u>1,619,826</u>
REVENUE					
Patient fees	1,293,890	-	-	1,293,890	1,273,845
Program service fees	279,134	-	-	279,134	327,720
Interest & investment income	1,341	-	-	1,341	728
Other revenue	<u>53,520</u>	-	-	<u>53,520</u>	<u>25,761</u>
Total Revenue	<u>1,627,885</u>	-	-	<u>1,627,885</u>	<u>1,628,054</u>
Total Public Support & Revenue	<u>3,672,585</u>	-	<u>150,000</u>	<u>3,822,585</u>	<u>3,247,880</u>
EXPENSES					
Program	2,521,435	239,154	-	2,760,589	2,609,585
Administrative	259,153	21,258	-	280,411	263,044
Fundraising	<u>73,621</u>	<u>5,315</u>	-	<u>78,936</u>	<u>73,875</u>
Total Expenses	<u>2,854,209</u>	<u>265,727</u>	-	<u>3,119,936</u>	<u>2,946,504</u>
Change in Net Assets	818,376	(265,727)	150,000	702,649	301,376
Net Assets, Beginning	1,184,665	2,619,403	-	3,804,068	3,502,692
Transfers	<u>(270,248)</u>	<u>270,248</u>	-	-	-
Net Assets, Ending	<u>\$1,732,793</u>	<u>\$2,623,924</u>	<u>\$ 150,000</u>	<u>\$4,506,717</u>	<u>\$3,804,068</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Pender Adult Services, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2021

	2021			Total
	Program	Administrative	Fundraising	
Operating Expenses				
Salaries	\$1,567,002	\$ 180,115	\$ 54,035	\$1,801,152
Benefits	170,642	19,614	5,884	196,140
Payroll taxes	113,800	13,080	3,924	130,804
Total Salaries & Related Expenses	<u>1,851,444</u>	<u>212,809</u>	<u>63,843</u>	<u>2,128,096</u>
Professional fees	19,759	4,552	-	24,311
Supplies	157,323	13,984	3,496	174,803
Telephone	13,485	1,379	460	15,324
Postage	4,114	420	140	4,674
Occupancy	43,008	3,822	956	47,786
Repairs & maintenance	122,171	10,859	2,715	135,745
Printing	5,317	544	181	6,042
Travel	8,647	-	-	8,647
Conferences	-	-	-	-
Insurance	82,347	7,320	1,830	91,497
Miscellaneous	2,075	231	-	2,306
Advertising	17,753	-	-	17,753
Contract services	7,183	-	-	7,183
Dues & subscriptions	19,622	-	-	19,622
Food	111,246	-	-	111,246
Transportation	48,397	-	-	48,397
Total Operating Expenses	<u>2,513,891</u>	<u>255,920</u>	<u>73,621</u>	<u>2,843,432</u>
Non-Operating Expenses				
Interest	7,544	3,233	-	10,777
Depreciation	239,154	21,258	5,315	265,727
Total Non-Operating Expenses	<u>246,698</u>	<u>24,491</u>	<u>5,315</u>	<u>276,504</u>
Special events	-	-	6,416	6,416
Total Functional Expenses	<u>2,760,589</u>	<u>280,411</u>	<u>85,352</u>	<u>3,126,352</u>
Special events net in revenue	-	-	(6,416)	(6,416)
Total Statement of Activities Expenses	<u>\$2,760,589</u>	<u>\$ 280,411</u>	<u>\$ 78,936</u>	<u>\$3,119,936</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Pender Adult Services, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	2020			Total
	Program	Administrative	Fundraising	
Operating Expenses				
Salaries	\$1,479,090	\$ 170,010	\$ 51,003	\$1,700,103
Benefits	151,570	17,422	5,226	174,218
Payroll taxes	107,840	12,395	3,719	123,954
Total Salaries & Related Expenses	<u>1,738,500</u>	<u>199,827</u>	<u>59,948</u>	<u>1,998,275</u>
Professional fees	18,398	4,599	-	22,997
Supplies	145,098	12,898	3,224	161,220
Telephone	13,218	1,352	450	15,020
Postage	4,017	410	137	4,564
Occupancy	46,101	4,097	1,024	51,222
Repairs & maintenance	125,249	11,133	2,783	139,165
Printing	5,988	612	204	6,804
Travel	10,971	-	-	10,971
Conferences	1,813	-	-	1,813
Insurance	60,142	5,346	1,336	66,824
Miscellaneous	1,613	179	-	1,792
Advertising	21,744	-	-	21,744
Contract services	27,894	-	-	27,894
Dues & subscriptions	19,446	-	-	19,446
Food	87,282	-	-	87,282
Transportation	59,319	-	-	59,319
Total Operating Expenses	<u>2,386,793</u>	<u>240,453</u>	<u>69,106</u>	<u>2,696,352</u>
Non-Operating Expenses				
Interest	8,205	3,517	-	11,722
Depreciation	214,587	19,074	4,769	238,430
Total Non-Operating Expenses	<u>222,792</u>	<u>22,591</u>	<u>4,769</u>	<u>250,152</u>
Special events	-	-	30,507	30,507
Total Functional Expenses	<u>2,609,585</u>	<u>263,044</u>	<u>104,382</u>	<u>2,977,011</u>
Special events net in revenue	-	-	(30,507)	(30,507)
Total Statement of Activities Expenses	<u>\$2,609,585</u>	<u>\$ 263,044</u>	<u>\$ 73,875</u>	<u>\$2,946,504</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Pender Adult Services, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2021

	2021			2020 Comparative Total
	Without Donor Restrictions Operating	Property	With Donor Restrictions	
Cash Flows From Operating Activities				
Cash Collections for:				
Public support	\$1,968,868	\$ -	\$ 41,202	\$2,010,070
Revenue	1,675,862	-	-	1,675,862
Interest & investment income	1,341	-	-	1,341
Less: Cash Payments for:				
Staff compensation	(2,106,111)	-	-	(2,106,111)
Other expenses	(717,158)	-	-	(717,158)
Net Cash Provided (Used) By Operating Activities	<u>822,802</u>	<u>-</u>	<u>41,202</u>	<u>864,004</u>
Cash Flows From Investing Activities				
Proceeds (purchase) of CDs	160,419	-	-	160,419
Acquisition of property & equipment	-	(280,913)	-	(280,913)
Sale of property & equipment	-	-	-	46,539
Net Cash Provided (Used) By Investing Activities	<u>160,419</u>	<u>(280,913)</u>	<u>-</u>	<u>(120,494)</u>
Cash Flows From Financing Activities				
Transfers	(270,248)	270,248	-	-
Principal payments	-	(20,828)	-	(20,828)
Net Cash Provided (Used) By Financing Activities	<u>(270,248)</u>	<u>249,420</u>	<u>-</u>	<u>(20,828)</u>
Net Increase (Decrease) in Cash	712,973	(31,493)	41,202	68,762
Cash & Cash Equivalents, Beginning	569,458	218,853	108,798	897,109
Cash & Cash Equivalents, Ending	<u>\$1,282,431</u>	<u>\$ 187,360</u>	<u>\$ 150,000</u>	<u>\$ 897,109</u>
Reconciliation of Change in Net Assets to Net Cash Provided (Used)				
By Operating Activities:				
Change in net assets	\$ 818,376	\$(265,727)	\$ 150,000	\$ 702,649
Depreciation	-	265,727	-	265,727
Gain on sale of property & equipment	-	-	-	-
(Increase) Decrease in:				
Investments	-	-	-	(479)
Grant & contract receivables	(75,832)	-	-	(75,832)
Patient receivables, net	47,247	-	-	47,247
Increase (Decrease) in:				
Accounts payable & accrued liabilities	30,940	-	-	30,940
Unearned revenue	2,071	-	-	2,071
Refundable advance	-	-	(108,798)	(108,798)
Net Cash Provided (Used) By Operating Activities	<u>\$ 822,802</u>	<u>\$ -</u>	<u>\$ 41,202</u>	<u>\$ 864,004</u>
Supplemental Disclosure				
Interest paid			\$ -	\$ 11,722

The Accompanying Notes are an Integral Part of these Financial Statements

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2021

1. ORGANIZATION

Pender Adult Services, Inc. (the "Organization") is a non-profit corporation organized in 1982 under the laws of North Carolina. The Organization operates as a care center in Pender County and provides services to the elderly, including home delivered meals, congregate meals, companion services, personal care services, patient medical aid, and group activities.

The Organization receives substantially all of its revenue from federal, state, and local governments, primarily from providing reimbursable services to Medicaid program beneficiaries and from grants received from a pass-through organization and Cape Fear Council of Governments. A significant reduction in the levels of support, if this were to occur, would have a significant effect on the Organization's programs and activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2021

Net Assets

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

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

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, which is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, and money market accounts and short-term certificates of deposit with maturities of three months or less. From time to time during the periods presented, the Organization has had cash balances in financial institutions that have exceeded federal depository insurance limits. The Organization deposits its cash with high quality institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

Cash and cash equivalents are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Cash on hand (petty cash)	\$ 405	\$ 405
First Citizens Bank	1,432,026	569,053
First Citizens Bank PPP funds	-	108,798
TD Bank	<u>187,360</u>	<u>218,853</u>
Total Cash & Cash Equivalents	<u>\$ 1,619,791</u>	<u>\$ 897,109</u>

Grant and Contract Receivables

Grant and contract receivables are primarily unsecured, non-interest bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding grant and contract receivables are collectible in full; therefore, no allowance for uncollectible grant and contract receivables has been provided.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2021

Patient Receivables

Patient receivables are \$109,159 as of June 30, 2021, less an allowance for doubtful accounts of \$5,000. The Organization provides for losses on patient receivables using the allowance method. The allowance is based on historical experience and other circumstances, which may affect the ability of customers and donors to meet their obligations. Management believes the losses due to uncollectible receivables to be insignificant.

Property and Equipment

Land, buildings, and equipment are reported in the statement of financial position at cost if purchased or at fair value at the date of donation if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings & improvements	7-39 years
Furniture & equipment	5-7 years
Vehicles	5 years

Land, buildings, and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period. The following is a summary of property accounts as of June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 144,596	\$ 144,596
Buildings & improvements	3,844,759	3,467,175
Equipment	495,798	453,857
Vehicles	895,906	845,036
Construction in process	-	286,445
	<u>5,381,059</u>	<u>5,197,109</u>
Less: Accumulated depreciation	<u>(2,736,212)</u>	<u>(2,567,448)</u>
Net Property	<u>\$ 2,644,847</u>	<u>\$ 2,629,661</u>

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2021

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Uniform Grant Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Net Patient Revenue

Patient revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. Patient receivables are stated at the amount that management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. The allowance for uncollectible receivables is based on analysis and aging of accounts and was \$5,000 as of June 30, 2021 and 2020.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using objective bases, such as time spent, salaries, square feet, and other bases.

Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Administrative activities include the functions necessary to provide support to the Organization's program activities. Administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising costs are expensed as incurred even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2021

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, it is exempt from income taxes on related income pursuant to Section 501(a) of the Code and contributions may be deductible to donors. The Organization files Form 990 with the Internal Revenue Service (IRS) annually; those forms are generally subject to examination by the IRS for a period of up to three years after they are filed.

Subsequent Events

Subsequent events have been evaluated through October 25, 2021, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2021

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet general expenditures over the next 12 months are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Operating Assets at Year End:		
Cash & cash equivalents	\$ 1,469,791	\$ 788,311
Grant & contract receivables	423,105	347,273
Patient receivables, net	<u>104,159</u>	<u>151,406</u>
Total Operating Assets at Year End	<u>1,997,055</u>	<u>1,286,990</u>
Plus: Net assets with purpose or time restrictions to be met in less than a year	<u>150,000</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 2,147,055</u>	<u>\$ 1,286,990</u>

The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The accompanying statement of cash flows on page 8 identifies the sources and uses of cash and shows positive cash generated by operations. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2021

4. NOTE PAYABLE

Note payable consists of a note due to the USDA in annual payments of principal and interest of \$31,605 through June 2029, at which time the remainder of principal is due. The interest rate is fixed at 4.75%. The balance is \$208,283 as of June 30, 2021.

The maturities are as follows for the years ending June 30:

2022	\$ 21,641
2023	22,669
2024	23,746
2025	24,874
2026	26,055
Thereafter	<u>89,298</u>
Total	208,283
Less: Current portion	<u>(21,641)</u>
Total Long-Term Note Payable	<u>\$ 186,642</u>

The security agreement with USDA Rural Development requires that the Organization establish a reserve account setting aside \$31,605. As of June 30, 2021, the Organization had reserves in excess of that amount outside of their operating account.

Subsequent to year end, the balance of this note payable was paid in full.

5. REFUNDABLE ADVANCE

The Organization had a refundable advance of \$108,798 as of June 30, 2020 resulting from the remaining PPP loan to be spent to finance the Organization's salaries, rent, and utilities. The advance has been recorded in the financial statements as a conditional gift and was recognized as revenue when the conditions were met. The total advance was spent as of June 30, 2021.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2021

6. GOVERNMENT GRANTS

The Organization receives its revenue from a variety of governmental agencies summarized as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
North Carolina Department of Transportation:		
Rural Operating Assistance Program	\$ -	\$ 194,712
Community Transportation Program	119,271	118,940
Capital	3,199	168,268
Elderly Individuals and Individuals with Disabilities	-	46,538
North Carolina Department of Insurance:		
SHIIP	10,398	8,024
Corporation for National and Community Service	58,889	59,648
Medical Assistance Grant	23,000	24,464
Federal Emergency Management Agency	17,157	6,744
Local sources	211,000	190,000
CARES Provider Relief PPE	16,024	-
CARES Provider Relief NCDOT	563,866	-
Total Government Grants	<u>\$ 1,022,804</u>	<u>\$ 817,338</u>

7. RETIREMENT PLAN

The Organization maintains a 403(b) qualified retirement plan (the "Plan") for all employees meeting eligibility requirements. The Organization has the option of matching contributions on an annual basis to the Plan on each participant's behalf in the amount of up to 50% of the first 4% of compensation that is contributed by each participant pursuant to a salary reduction agreement. No contributions were made by the Organization during the years ended June 30, 2021 or 2020.

8. RISK MANAGEMENT

The Organization is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation.

The Organization purchases commercial insurance coverage against risk of loss due to errors and omissions, fiduciary liability, property damage and theft, fraud, employment liability, and numerous other insurable risks. The Organization carries fire, wind, and hail property insurance in the aggregated amount of \$3,332,200 for 2021 with a deductible of \$1,000 per location.

The Organization has flood insurance for their Fitness Fusion building in the amount of \$400,000 with a deductible of \$1,250.

The Organization is covered by professional liability insurance on a claims made basis. Policy limits provided are on a per occurrence basis with coverage up to \$1,000,000 and aggregate coverage of \$3,000,000. Management believes the coverage results in no remaining exposure to the Organization.

The Organization has an umbrella policy for up to \$1,000,000 per occurrence. The Organization also has a directors and officers policy.

No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above.

Pender Adult Services, Inc.
Schedule of Expenditures of Federal and State Awards
June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Federal Awards			
<u>U.S. Department of Health and Human Services</u>			
Pass-Through Programs From:			
North Carolina Division of Aging and Adult Services			
Aging Cluster			
Access (COG)	93.044	21/22 AANCT3SS	\$ 36,831
Congregate Meals (COG)	93.045	21/22 AANCT3CM	78,382
Home Delivered Meals (COG)	93.045	21/22 AANCT3HD	117,717
Families First Meals (COG)	93.045	2001NCHDC3-00	54,328
CARES - Nutrition Services (COG)	93.045	2001NCHDC-00	134,966
USDA (COG)	93.053	N/A	<u>19,228</u>
Total Aging Cluster			<u>441,452</u>
EBHP (COG)	93.043	21/22 AANCT3PH	5,741
FCS (COG)	93.052	21/22 AANCT3FC	46,873
CARES - Family Caregiver (COG)	93.052	2001NCFCC3-00	<u>30,000</u>
Total Pass-Through Programs From: North Carolina Division of Aging and Adult Services			<u>524,066</u>
Pass-Through Programs From:			
Americorps			
RSVP	94.002	21SR238138	<u>58,889</u>
Pass-Through Programs From:			
North Carolina Department of Insurance			
SHIP	93.071	2001NCMISH-00	<u>6,848</u>
Pass-Through Programs From:			
North Carolina Public Health and Social Services Emergency Fund			
CARES Provider Relief PPE - COVID-19	93.498	XX	<u>16,024</u>
Total U.S. Department of Health and Human Services			<u>\$ 605,827</u>

Pender Adult Services, Inc.
Schedule of Expenditures of Federal and State Awards
June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Treasury</u>			
Pass-Through Programs From:			
North Carolina Department of Agriculture Coronavirus Relief Funds - COVID-19	21.019		\$ <u>150,000</u>
<u>Federal Transit Authority/U.S. Department of Health and Human Services</u>			
Pass-Through Programs From:			
North Carolina Department of Transportation			
NCDOT Capital	20.509	21-CT-069	52,277
NCDOT Capital	20.509	21-CT-069	3,199
NCDOT Admin	20.509	21-CT-069	119,271
NCDOT CARES Amended - COVID-19	20.509	2000039618	<u>563,866</u>
Total North Carolina Department of Transportation			<u>738,613</u>
<u>U.S. Department of Homeland Security</u>			
Federal Emergency Management Agency FEMA Grant	97.024	6478-00	<u>17,157</u>
Total Expenditures of Federal Awards			<u>\$ 1,511,597</u>
State Awards			
<u>North Carolina Department of Health and Human Services</u>			
North Carolina Division of Aging and Adult Services			
In Home Support Services	NC-15		\$ 278,000
Senior Center General Purpose	NC-15		21,030
FAN	NC-15		<u>912</u>
Total North Carolina Division of Aging and Adult Services			<u>299,942</u>
Total Expenditures of State Awards			<u>\$ 299,942</u>

Pender Adult Services, Inc.
Schedule of Expenditures of Federal and State Awards
June 30, 2021

Notes to Schedule of Expenditures of Federal and State Awards
June 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of Pender Adult Services, Inc. (the "Organization") under programs of the federal and state government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or changes in cash flows of the Organization.

2. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Certified Public Accountants

INDEPENDENT AUDITOR'S 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 of
Pender Adult Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pender Adult Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pender Adult Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Pender Adult Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Pender Adult Services, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pender Adult Services, 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 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*.

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.

Ernst & Young, L.L.P.

Wilmington, North Carolina
October 25, 2021



Certified Public Accountants

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

To the Board of Directors of
Pender Adult Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Pender Adult Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pender Adult Services, Inc.'s major federal programs for the year ended June 30, 2021. Pender Adult Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pender Adult Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pender Adult Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pender Adult Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Pender Adult Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Pender Adult Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pender Adult Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pender Adult Services, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Eamy & Company, L.L.P.

Wilmington, North Carolina
October 25, 2021

Pender Adult Services, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of Auditor’s report issued on the financial statements:

Unmodified Opinion

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiencies identified? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? Yes No
- Significant deficiencies identified? Yes None reported

Type of Auditor’s report issued on compliance for major federal programs:

Unmodified Opinion

Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a)?

Yes No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

20.509

Formula Grants for Rural Areas and Tribal Transit

Dollar threshold used to distinguish type A and type B programs

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Pender Adult Services, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.