

Pender Adult Services, Inc.

Financial Statements

*For the Year Ended June 30, 2019
(with Comparative Totals for 2018)*



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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. 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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Pender Adult Services, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ewing & Company, L.L.P.

Wilmington, North Carolina
November 18, 2019

Pender Adult Services, Inc.
Statement of Financial Position
As of June 30, 2019

	2019			Total	2018 Comparative Total
	Without Donor Restrictions		With Donor Restrictions		
	Operating	Property			
ASSETS					
Current Assets					
Cash & cash equivalents	\$ 926,559	\$ 250,210	\$ 62,661	\$1,239,430	\$1,044,858
Grant & contract receivables	226,470	-	-	226,470	484,591
Patient receivables, net	<u>172,412</u>	<u>-</u>	<u>-</u>	<u>172,412</u>	<u>193,330</u>
Total Current Assets	<u>1,325,441</u>	<u>250,210</u>	<u>62,661</u>	<u>1,638,312</u>	<u>1,722,779</u>
Net property (Note 2)	<u>-</u>	<u>2,403,992</u>	<u>-</u>	<u>2,403,992</u>	<u>2,454,580</u>
Total Assets	<u>\$1,325,441</u>	<u>\$2,654,202</u>	<u>\$ 62,661</u>	<u>\$4,042,304</u>	<u>\$4,177,359</u>
LIABILITIES & NET ASSETS					
Current Liabilities					
Accounts payable	\$ 74,372	\$ -	\$ -	\$ 74,372	\$ 79,372
Accrued liabilities	196,862	-	-	196,862	219,682
Unearned revenue	19,384	-	-	19,384	18,071
Current portion of notes payable	<u>-</u>	<u>19,723</u>	<u>-</u>	<u>19,723</u>	<u>35,686</u>
Total Current Liabilities	<u>290,618</u>	<u>19,723</u>	<u>-</u>	<u>310,341</u>	<u>352,811</u>
Notes payable (Note 4)	<u>-</u>	<u>229,271</u>	<u>-</u>	<u>229,271</u>	<u>364,726</u>
Total Liabilities	<u>290,618</u>	<u>248,994</u>	<u>-</u>	<u>539,612</u>	<u>717,537</u>
Net Assets					
Without donor restrictions	1,034,823	2,405,208	-	3,440,031	3,459,822
With donor restrictions	<u>-</u>	<u>-</u>	<u>62,661</u>	<u>62,661</u>	<u>-</u>
Total Net Assets	<u>1,034,823</u>	<u>2,405,208</u>	<u>62,661</u>	<u>3,502,692</u>	<u>3,459,822</u>
Total Liabilities & Net Assets	<u>\$1,325,441</u>	<u>\$2,654,202</u>	<u>\$ 62,661</u>	<u>\$4,042,304</u>	<u>\$4,177,359</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, 2019

	2019				2018
	Without Donor Restrictions		With Donor	Total	Comparative Total
	Operating	Property	Restrictions		
PUBLIC SUPPORT					
Contributions	\$ 1,000	\$ -	\$ 104,000	\$ 105,000	\$ 27,500
United Way	305	-	-	305	1,029
Government grants	-	-	748,959	748,959	774,090
Cape Fear Council of Governments	-	-	554,077	554,077	493,722
Special events, net	28,041	-	-	28,041	23,238
Net assets released from restriction	<u>1,202,185</u>	<u>142,190</u>	<u>(1,344,375)</u>	<u>-</u>	<u>-</u>
Total Public Support	<u>1,231,531</u>	<u>142,190</u>	<u>62,661</u>	<u>1,436,382</u>	<u>1,319,579</u>
REVENUE					
Patient fees	1,185,763	-	-	1,185,763	1,294,163
Program service fees	385,264	-	-	385,264	461,844
Interest income	2,128	-	-	2,128	5,830
Other revenue	<u>37,308</u>	<u>6,780</u>	<u>-</u>	<u>44,088</u>	<u>12,065</u>
Total Revenue	<u>1,610,463</u>	<u>6,780</u>	<u>-</u>	<u>1,617,243</u>	<u>1,773,902</u>
Total Public Support & Revenue	<u>2,841,994</u>	<u>148,970</u>	<u>62,661</u>	<u>3,053,625</u>	<u>3,093,481</u>
EXPENSES					
Program	2,460,620	207,588	-	2,668,208	2,689,919
Administrative	250,198	18,452	-	268,650	249,014
Fundraising	<u>69,284</u>	<u>4,613</u>	<u>-</u>	<u>73,897</u>	<u>53,846</u>
Total Expenses	<u>2,780,102</u>	<u>230,653</u>	<u>-</u>	<u>3,010,755</u>	<u>2,992,779</u>
Change in Net Assets	61,892	(81,683)	62,661	42,870	100,702
Net Assets, Beginning	1,349,922	2,109,900	-	3,459,822	3,359,120
Transfers	<u>(376,991)</u>	<u>376,991</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, Ending	<u>\$1,034,823</u>	<u>\$2,405,208</u>	<u>\$ 62,661</u>	<u>\$3,502,692</u>	<u>\$3,459,822</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, 2019

	2019			Total	2018
	Program	Administrative	Fundraising		Comparative Total
Operating Expenses					
Salaries	\$1,430,056	\$ 164,374	\$ 49,312	\$1,643,742	\$1,706,803
Benefits	147,991	17,011	5,103	170,105	206,982
Payroll taxes	106,204	12,207	3,662	122,073	126,513
Total Salaries & Related Expenses	<u>1,684,251</u>	<u>193,592</u>	<u>58,077</u>	<u>1,935,920</u>	<u>2,040,298</u>
Professional fees	17,427	4,357	-	21,784	22,131
Supplies	221,148	19,658	4,914	245,720	192,459
Telephone	11,875	1,214	405	13,494	14,041
Postage	3,887	397	132	4,416	3,779
Occupancy	50,052	4,448	1,112	55,612	53,555
Repairs & maintenance	137,409	12,215	3,054	152,678	93,454
Printing	3,664	375	125	4,164	5,251
Travel	12,275	-	-	12,275	14,630
Conferences	10,743	-	-	10,743	6,954
Insurance	65,916	5,859	1,465	73,240	63,693
Miscellaneous	26,860	2,985	-	29,845	27,016
Advertising	18,575	-	-	18,575	11,805
Contract services	25,152	-	-	25,152	31,917
Dues & subscriptions	18,320	-	-	18,320	18,351
Food	63,717	-	-	63,717	72,369
Transportation	77,454	-	-	77,454	84,146
Total Operating Expenses	<u>2,448,725</u>	<u>245,100</u>	<u>69,284</u>	<u>2,763,109</u>	<u>2,755,849</u>
Non-Operating Expenses					
Interest	11,895	5,098	-	16,993	22,615
Depreciation	207,588	18,452	4,613	230,653	214,315
Total Non-Operating Expenses	<u>219,483</u>	<u>23,550</u>	<u>4,613</u>	<u>247,646</u>	<u>236,930</u>
Special events	-	-	45,741	45,741	45,855
Total Functional Expenses	<u>2,668,208</u>	<u>268,650</u>	<u>119,638</u>	<u>3,056,496</u>	<u>3,038,634</u>
Special events net in revenue	-	-	(45,741)	(45,741)	(45,855)
Total Statement of Activities Expenses	<u>\$2,668,208</u>	<u>\$ 268,650</u>	<u>\$ 73,897</u>	<u>\$3,010,755</u>	<u>\$2,992,779</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, 2019

	2019			Total	2018 Comparative Total
	Without Donor	Restrictions	With Donor		
	Operating	Property	Restrictions		
Cash Flows From Operating Activities					
Cash Collections for:					
Public support	\$1,489,652	\$142,190	\$ 62,661	\$1,694,503	\$1,069,076
Revenue	1,630,566	-	-	1,630,566	1,846,300
Interest income	2,128	-	-	2,128	5,830
Less: Cash Payments for:					
Staff compensation	(1,958,740)	-	-	(1,958,740)	(2,031,824)
Other expenses	(849,182)	-	-	(849,182)	(678,018)
Net Cash Provided (Used) By Operating Activities	<u>314,424</u>	<u>142,190</u>	<u>62,661</u>	<u>519,275</u>	<u>211,364</u>
Cash Flows From Investing Activities					
Acquisition of property & equipment	-	(187,139)	-	(187,139)	(188,081)
Sale of property & equipment	-	13,854	-	13,854	-
Net Cash Provided (Used) By Investing Activities	<u>-</u>	<u>(173,285)</u>	<u>-</u>	<u>(173,285)</u>	<u>(188,081)</u>
Cash Flows From Financing Activities					
Transfers	(376,991)	376,991	-	-	-
Principal payments	-	(151,418)	-	(151,418)	(34,308)
Net Cash Provided (Used) By Financing Activities	<u>(376,991)</u>	<u>225,573</u>	<u>-</u>	<u>(151,418)</u>	<u>(34,308)</u>
Net Increase (Decrease) in Cash	(62,567)	194,478	62,661	194,572	(11,025)
Cash & Cash Equivalents, Beginning	<u>989,126</u>	<u>55,732</u>	<u>-</u>	<u>1,044,858</u>	<u>1,055,883</u>
Cash & Cash Equivalents, Ending	<u>\$ 926,559</u>	<u>\$250,210</u>	<u>\$ 62,661</u>	<u>\$1,239,430</u>	<u>\$1,044,858</u>
Reconciliation of Change in Net Assets to Net Cash Provided (Used) By Operating Activities:					
Change in net assets	\$ 61,892	\$ (81,683)	\$ 62,661	\$ 42,870	\$ 100,702
Depreciation	-	230,653	-	230,653	214,315
Gain on sale of property & equipment	-	(6,780)	-	(6,780)	-
(Increase) Decrease in:					
Grant & contract receivables	258,121	-	-	258,121	(250,503)
Patient receivables, net	20,918	-	-	20,918	67,560
Increase (Decrease) in:					
Accounts payable & accrued liabilities	(27,820)	-	-	(27,820)	68,622
Unearned revenue	1,313	-	-	1,313	10,668
Net Cash Provided (Used) By Operating Activities	<u>\$ 314,424</u>	<u>\$142,190</u>	<u>\$ 62,661</u>	<u>\$ 519,275</u>	<u>\$ 211,364</u>
Supplemental Disclosure					
Interest paid				<u>\$ 16,993</u>	<u>\$ 22,615</u>
Income taxes paid				<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2019

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

Change in Accounting Principles

During the year ended June 30, 2019, the Organization adopted Accounting Standards Update ("ASU") 2016-14–Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This accounting standard is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The 2018 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and analysis of expenses by functional and natural categories. These disclosures have been presented for 2019 only as allowed by ASU 2016-14. The retrospective application resulted in unrestricted net assets of \$3,459,822 being reported as net assets without donor restrictions as of June 30, 2018.

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.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2019

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.

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. Net assets with donor restrictions as of June 30, 2019 included cash of \$62,661, which is designated for the Senior Center expansion.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2019

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>2019</u>	<u>2018</u>
Cash on hand (petty cash)	\$ 405	\$ 405
First Citizens Bank	577,732	426,956
First Bank	411,083	409,166
First Bank CD	-	152,599
TD Bank	<u>250,210</u>	<u>55,732</u>
Total Cash & Cash Equivalents	<u>\$ 1,239,430</u>	<u>\$ 1,044,858</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.

Patient Receivables

Patient receivables are \$177,412 as of June 30, 2019, 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.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2019

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 and improvements	7 - 39 years
Furniture and 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>2019</u>	<u>2018</u>
Land	\$ 144,596	\$ 144,596
Buildings & improvements	3,468,924	3,467,341
Equipment	435,793	423,409
Vehicles	714,210	772,751
Construction in process	<u>37,339</u>	<u>-</u>
	4,800,862	4,808,097
Less: Accumulated depreciation	<u>(2,396,870)</u>	<u>(2,353,517)</u>
Net Property	<u>\$ 2,403,992</u>	<u>\$ 2,454,580</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 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.

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.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2019

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, 2019 and 2018.

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 statement of functional expenses. Total expenses for the year ended June 30, 2019 were \$3,056,496, which includes \$45,741 of netted special events direct 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.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2019

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 November 18, 2019, 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.

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>2019</u>
Operating Assets at Year End:	
Cash & cash equivalents	\$ 1,122,595
Grant & contract receivables	226,470
Patient receivables, net	<u>172,412</u>
Total Operating Assets at Year End	<u>1,521,477</u>
 Plus: Net assets with purpose or time restrictions to be met in less than a year	 <u>62,661</u>
 Financial Assets Available to Meet General Expenditures Over the Next 12 Months	 <u>\$ 1,584,138</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 6 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, 2019

4. NOTES PAYABLE

Notes payable consist of the following notes to the USDA:

The first note is due 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 \$248,994 as of June 30, 2019.

The second note is due in annual payments of principal and interest of \$22,320 through June 2026, at which time the remainder of principal is due. The interest rate is fixed at 4.125%. This loan was paid in full during March 2019.

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

2020	\$ 19,723
2021	20,660
2022	21,641
2023	22,669
2024	23,746
Thereafter	<u>140,555</u>
Total	248,994
Less: Current portion	<u>(19,723)</u>
Total Long-Term Debt	<u>\$ 229,271</u>

The security agreement with USDA Rural Development requires that the Organization establish a reserve account setting aside \$31,605. As of June 30, 2019, the Organization had reserves in excess of that amount outside of their operating account.

Pender Adult Services, Inc.
Notes to Financial Statements
June 30, 2019

5. GOVERNMENT GRANTS

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

	<u>2019</u>	<u>2018</u>
North Carolina Department of Transportation:		
Rural Operating Assistance Program	\$ 166,034	\$ 166,478
Community Transportation Program	110,655	81,120
Capital	104,851	154,338
Elderly Individuals and Individuals with Disabilities	88,624	83,050
North Carolina Department of Insurance:		
SHIIP	6,512	6,326
Corporation for National and Community Service	65,750	65,850
Medical Assistance Grant	21,536	23,000
Federal Emergency Management Agency	3,156	10,062
Local sources	<u>181,841</u>	<u>183,866</u>
Total Government Grants	<u>\$ 748,959</u>	<u>\$ 774,090</u>

6. 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, 2019 or 2018.

7. HURRICANE FLORENCE

On September 14, 2018, Hurricane Florence made landfall as a Category 1 hurricane at Wrightsville Beach, North Carolina, which is a barrier island contiguous to Wilmington, North Carolina. In the opinion of management, there will be no permanent, long-term effect on the operations of the Organization and no adjustments related to the storm were required in the accompanying financial statements.

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 2019 and 2018 with a deductible of \$1,000 per location.

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.