

**YADKIN VALLEY ECONOMIC DEVELOPMENT
DISTRICT, INCORPORATED**

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

**PRESTON SIMS & DARDEN, P.A.
CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Yadkin Valley Economic Development District, Inc.
Boonville, North Carolina

We have audited the accompanying financial statements of Yadkin Valley Economic Development District, Inc. (YVEDDI), (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 Yadkin Valley Economic Development District, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 February 16, 2015, on our consideration of Yadkin Valley Economic Development District 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 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 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 Yadkin Valley Economic Development District, Inc.'s internal control over financial reporting and compliance.

Preston Sims and Darden, P.A.

Winston-Salem, North Carolina
February 16, 2015

**YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA**

**STATEMENTS OF FINANCIAL POSITION - ALL FUNDS
JUNE 30, 2014 AND 2013**

ASSETS	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 820,620	\$ 1,363,097
Investments	16,398	13,279
Accounts receivable, net of allowance for doubtful accounts of \$10,000	500,685	492,323
Grants receivable	1,160,441	725,748
Pledges receivable	95,189	72,588
Inventories	18,990	28,486
Prepaid expenses	82,448	55,269
Property, plant and equipment, net	2,972,450	2,856,669
Work in Process, Software	-	68,356
	<hr/>	<hr/>
Total Assets	<u>\$ 5,667,221</u>	<u>\$ 5,675,815</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 819,764	\$ 562,674
Accrued liabilities	552,563	418,281
Grantor payables	35,173	54,018
Leases payable	64,764	33,878
Notes payable	140,813	149,014
Total Liabilities	<hr/> <u>1,613,077</u>	<hr/> <u>1,217,865</u>
Net Assets:		
Unrestricted	936,248	1,781,530
Temporarily restricted	3,117,896	2,676,420
Total net assets	<hr/> <u>4,054,144</u>	<hr/> <u>4,457,950</u>
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 5,667,221</u>	<u>\$ 5,675,815</u>

**YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014			2013		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
REVENUE AND SUPPORT						
Grants	\$ -	\$ 5,858,688	\$ 5,858,688	\$ -	\$ 5,700,274	\$ 5,700,274
In-kind contributions	-	256,782	256,782	-	93,891	93,891
Donations	236,202	-	236,202	279,139	-	279,139
Program income	5,113,955	-	5,113,955	4,732,702	-	4,732,702
Local government appropriations	-	393,807	393,807	-	387,091	387,091
Interest	-	770	770	-	2,282	2,282
Gain (loss) on disposal of fixed assets	24,438	-	24,438	9,950	-	9,950
Net assets released from restrictions:						
Satisfaction of program restrictions	6,071,691	(6,071,691)	-	6,034,465	(6,034,465)	-
Total Revenue and Support	11,446,286	438,356	11,884,642	11,056,256	149,073	11,205,329
EXPENSES						
Program expenses	11,668,744	-	11,668,744	10,636,733	-	10,636,733
Management and general	607,582	-	607,582	645,191	-	645,191
Interest expense	15,242	-	15,242	13,118	-	13,118
Total Expenses	12,291,568	-	12,291,568	11,295,042	-	11,295,042
Change in Net Assets	(845,282)	438,356	(406,926)	(238,786)	149,073	(89,713)
Net Assets at beginning of year	1,781,530	2,676,420	4,457,950	2,020,316	2,525,591	4,545,907
Change in fair value of marketable securities	-	3,120	3,120	-	1,756	1,756
Net Assets at end of year	\$ 936,248	\$ 3,117,896	\$ 4,054,144	\$ 1,781,530	\$ 2,676,420	\$ 4,457,950

**YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>CSBG</u>	<u>Head Start</u>	<u>U.S.D.A. Nutrition</u>	<u>OAA</u>	<u>Weather- ization</u>
PERSONNEL:					
Salaries and wages	\$ 140,105	\$ 1,709,950	\$ 21,874	\$ 158,344	\$ 138,511
Fringe	50,806	547,076	3,267	38,444	39,845
NON-PERSONNEL:					
Contracted services	224	11,063	-	3,006	84,112
Travel - staff and board	13,221	55,006	-	7,264	503
Travel - participants/maintenance	9,812	292,663	-	132,878	9,608
Space	12,149	420,530	-	28,546	3,525
Supplies	9,988	52,307	671	11,106	4,108
Insurance	1,861	25,003	-	8,907	4,651
Communications	5,296	24,231	-	5,869	2,334
Depreciation and amortization	2,392	89,946	-	-	17,112
Food	-	10,911	257,062	264,917	-
Training	-	8,924	-	850	5,400
Other	69,976	59,736	-	32,976	186,956
Total	<u>\$ 315,830</u>	<u>\$ 3,307,346</u>	<u>\$ 282,874</u>	<u>\$ 693,107</u>	<u>\$ 496,665</u>

<u>RSVP</u>	<u>CTP</u>	<u>Other Funded Transport</u>	<u>Other Programs</u>	<u>Local Service Programs</u>	<u>General and Admin.</u>	<u>Total Expenses</u>
\$ 47,055	\$ 1,794,805	\$ -	\$ 204,403	\$ 368,454	\$ 318,377	\$ 4,901,878
12,871	484,729	-	69,790	108,059	110,492	1,465,379
13	55,192	-	1,642	9,730	39,873	204,855
5,331	16,014	-	8,973	9,243	9,036	124,591
1,219	1,010,600	760,961	2,199	138,432	-	2,358,372
1,444	71,708	-	33,581	186,036	63,045	820,564
1,796	94,165	-	33,244	56,223	23,731	287,339
1,374	93,982	-	1,334	59,094	8,666	204,872
1,260	59,915	-	20,874	55,359	9,993	185,131
71	393,259	-	1,289	70,733	675	575,477
-	-	-	-	6,297	-	539,187
-	7,362	-	208	1,913	544	25,201
1,671	169,802	-	23,906	15,307	23,150	583,480
<u>\$ 74,105</u>	<u>\$ 4,251,533</u>	<u>\$ 760,961</u>	<u>\$ 401,443</u>	<u>\$ 1,084,880</u>	<u>\$ 607,582</u>	<u>\$ 12,276,326</u>
				Interest expense		<u>15,242</u>
						<u>\$ 12,291,568</u>

**YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013 (For Comparative Purposes)**

	<u>CSBG</u>	<u>Head Start</u>	<u>U.S.D.A. Nutrition</u>	<u>OAA</u>	<u>Weather- ization</u>
PERSONNEL:					
Salaries and wages	\$ 146,901	\$ 1,786,059	\$ 16,098	\$ 160,967	\$ 82,594
Fringe	46,544	537,071	2,453	30,432	23,686
NON-PERSONNEL:					
Contracted services	12	9,195	-	2,845	16,083
Travel - staff and board	7,835	59,981	-	7,756	105
Travel - participants/maintenance	7,546	306,890	-	167,871	2,474
Space	9,386	277,653	-	26,143	1,810
Supplies	5,387	114,741	4,635	11,975	833
Insurance	1,765	23,747	-	3,814	5,157
Communications	6,632	23,290	-	5,009	1,259
Depreciation and amortization	2,373	103,081	-	-	17,347
Food	-	69,993	233,586	261,123	-
Training	-	12,397	-	1,111	11,865
Other	77,653	62,251	-	31,288	83,814
Total	<u>\$ 312,034</u>	<u>\$ 3,386,349</u>	<u>\$ 256,772</u>	<u>\$ 710,334</u>	<u>\$ 247,027</u>

<u>RSVP</u>	<u>CTP</u>	<u>Other Funded Transport</u>	<u>Other Programs</u>	<u>Local Service Programs</u>	<u>General and Admin.</u>	<u>Total Expenses</u>
\$ 50,292	\$ 1,623,982	\$ -	\$ 181,208	\$ 370,458	\$ 359,966	\$ 4,778,525
11,971	447,456	-	56,234	105,719	98,682	1,360,248
24	29,951	-	739	3,678	88,641	151,168
4,142	14,670	-	11,848	7,443	13,115	126,895
759	742,644	666,477	1,348	146,531	-	2,042,540
2,179	44,137	-	18,344	139,201	25,554	544,407
1,771	20,466	-	63,852	36,630	29,434	289,724
2,401	117,521	-	1,916	38,517	3,225	198,063
2,146	18,589	-	15,480	17,551	10,724	100,680
-	308,109	-	595	98,252	3,439	533,196
-	-	-	-	7,464	-	572,166
-	6,141	-	-	1,333	232	33,079
803	205,247	-	35,372	42,626	12,179	551,233
<u>\$ 76,488</u>	<u>\$ 3,578,913</u>	<u>\$ 666,477</u>	<u>\$ 386,936</u>	<u>\$ 1,015,403</u>	<u>\$ 645,191</u>	<u>\$ 11,281,924</u>
				Interest expense		13,118
						<u>\$ 11,295,042</u>

**YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (403,806)	\$ (89,713)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	575,477	533,196
(Gain) Loss from sales of assets	(24,438)	(9,950)
Changes in operating assets and liabilities:		
Accounts receivable-net	(8,362)	(304,663)
Grants receivables	(434,693)	(35,371)
Pledges receivable	(22,601)	4,892
Inventory	9,496	1,881
Prepaid expenses	(27,179)	6,096
Accounts payable	257,091	282,955
Grantor payables	(18,845)	(176,248)
Accrued liabilities	134,282	141,410
Net cash provided by operating activities	36,422	354,485
CASH FLOWS FROM INVESTING ACTIVITIES		
Unrealized (gain) loss on stock held as investment	(3,120)	(1,756)
Proceeds from sale of plant, property and equipment	34,030	24,950
Purchase of plant, property and equipment	(632,494)	(654,291)
Net cash used by investing activities	(601,584)	(631,097)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments towards mortgage loan	(8,201)	(7,734)
Obligations under capital leases	31,252	-
Payments on obligations under capital lease	(366)	(18,192)
Net cash provide (used) by financing activities	22,685	(25,926)
 Net increase in cash and cash equivalents	 (542,477)	 (302,538)
Cash and cash equivalents at beginning of year	1,363,097	1,665,635
Cash and cash equivalents at end of year	\$ 820,620	\$ 1,363,097

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 1. Nature of Business and Significant Accounting Policies

Yadkin Valley Economic Development District, Inc. (YVEDDI) is a nonprofit community action agency, which administers the grant funds it receives by the provision of OMB Circulars A-110 and A-122.

The Agency operates a number of funded programs, as well as local service programs, to promote the economic development in Yadkin, Stokes, Davie, and Surry Counties, North Carolina.

Local service programs represent the consolidation of Local Effort, Transportation, Yadkin Valley Community Senior Center, L.H. Jones (Surry County) Family Resource Center, Greater East Bent Community & Senior Center, Pilot Mountain Senior Center and Consumables Warehouse operations.

A summary of the Organization's significant accounting policies are as follows:

Basis of Accounting

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, Subtopic 205, *Presentation of Financial Statements*. Under those provisions, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, Unrestricted net Assets, Temporarily restricted net assets or Permanently restricted net assets.

Basis of Presentation

Net assets of the Agency are classified as unrestricted, temporarily restricted or permanently restricted.

- *Unrestricted net assets* are not restricted by donors, or the donor-imposed restrictions have expired.
- *Temporarily restricted net assets* contain donor-imposed restrictions that permit the Agency to use or expend the assets as specified. These restrictions are satisfied either by the passage of time or by actions of the Agency. Donor restricted contributions and investment returns whose restrictions are met in the same period they are received are reported as unrestricted support and expenditures.
- *Permanently restricted net assets* contain donor-imposed restrictions and stipulate the resources be maintained permanently, but permit the Agency to use, or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification.

In-Kind Contributions

In-kind contributions are used by the Organization to satisfy the cost sharing requirements of grantor contracts, including the U.S. Department of Health and Human Services. The Organization will occasionally receive various facility and fixed asset donations, which are allocable to other programs. In-kind contributions used for matching are recognized for grant reporting purposes only to the extent necessary to meet matching requirements.

Inventories

The Consumable Warehouse supply inventory is stated at cost, with cost being determined on the first in, first out method.

Investments

The Organization owns marketable equity securities which are held in a brokerage account with LPL Financial. These investments were received as contributions and are adjusted annually to reflect the current value at year end.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donated fixed assets are reported as support at their estimated fair value at the date of donation. All data processing equipment with a cost of less than \$500 is expensed in the year of acquisition. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets.

Use of Estimates

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

Allowance for Doubtful Accounts

The Organization maintains an allowance for doubtful accounts for receivables. An estimate is based on collection experience and a review of the current status of trade accounts receivable.

Deferred Revenue

Deferred revenue represents excess reimbursement of current grant expenses and other support applicable to subsequent years. To properly match revenue and related expenses, these amounts will be recognized when corresponding expenses are incurred.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Date of Management's Review

Subsequent events were evaluated through February 16, 2015, which is the date the financial statements were available to be issued.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Reporting years June 30, 2014, 2013 and 2012 are still open to examination by the Internal Revenue Service.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments purchased with an original maturity of three months or less.

Indirect Costs

Indirect costs are those costs which accrue to the benefit of all grant programs, but are not readily identifiable to a particular program. Since these costs do contribute to the cost for implementing the program, the Community Services Block Grant allows its pro rata share to be claimed for reimbursement. Other programs may not allow their pro rata share of indirect costs to be claimed for reimbursement.

Note 2. Property and Equipment

Property and equipment owned at June 30, 2014 by the Organization consists of the following:

	<u>Restricted Programs</u>	<u>Local</u>	<u>Total</u>
Major fixed asset classification:			
Land	\$ 52,799	\$ 255,723	\$ 308,522
Buildings and improvements	1,061,500	1,358,059	2,419,559
Office and communications equipment	722,304	156,805	879,109
Heavy equipment	63,660	3,821	67,481
Vehicles	<u>3,756,330</u>	<u>217,019</u>	<u>3,973,349</u>
	5,656,593	1,991,427	7,648,020
Less accumulated depreciation	<u>3,914,750</u>	<u>760,820</u>	<u>4,675,570</u>
	<u>\$1,741,843</u>	<u>\$ 1,230,607</u>	<u>\$ 2,972,450</u>

Note 3. Non-Expendable Property

Acquisitions of non-expendable property are treated as transfers of the program fund in the period incurred and asset values are recorded in the fixed asset fund.

The Organization holds the following fixed assets, which were acquired with donor funds with restrictions on asset use and grant funds with the grantor agency holding a principal reversionary interest. All vehicles acquired through the Community Transportation Program are subject to a security agreement with the North Carolina Department of Transportation. The purpose of this lien is to ensure proper procedures are followed in the use and ultimate disposition of the vehicles in

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

accordance with the project agreement. These assets are included in the Statement of Financial Position, net of accumulated depreciation of \$3,914,750 (See Note 2, Property and Equipment).

<u>Program</u>	<u>Cost</u> <u>6/30/2013</u>	<u>Additions</u> <u>6/30/2014</u>	<u>Deletions</u> <u>6/30/2014</u>	<u>Cost</u> <u>6/30/2014</u>
Head Start	\$ 1,049,904	\$ 1,075	\$ -	\$ 1,050,979
Head Start ARRA	17,184	-	-	17,184
Weatherization	57,663	1,238	9,319	49,582
WAP ARRA	134,251	-	-	134,251
Community Transport Program	2,816,524	424,275	170,018	3,070,781
Community Transport Program ARRA	227,256	-	-	227,256
Community Transport Program-TTAP	-	150,640	-	150,640
CSBG	9,669	1,227	-	10,896
Courtney Business Development	192,064	-	-	192,064
RSVP	-	1,190	-	1,190
Yadkin Co. Domestic Violence	1,485	850	599	1,736
Stokes Domestic Violence	5,418	1,080	-	6,498
Surry Domestic Violence	330	715	-	330
ECMHS	530,719	12,117	-	542,836
Sec 18 Non Program	188,005	-	-	188,005
Migrant Head Start ARRA	7,208	-	-	7,208
HARRP	3,532	-	-	3,532
Wea/HARRP	910	-	-	910
	<u>\$ 5,242,122</u>	<u>\$ 594,407</u>	<u>\$ 179,936</u>	<u>\$ 5,656,593</u>

Note 4. Pension Plan

The Organization is the sponsor of a Money Purchase Pension Plan whose assets are held by the Hartford Life Insurance Company. All permanent employees who have attained the age of 18 are eligible for pension plan participation. The plan provides disability, death and retirement benefits to its members. Pension plan participants are entitled to vest after three years of service at which time there is 100% vesting. The Organization makes contributions of 5% of each participant's earnings. Employees may elect to make voluntary contributions of up to 10% of their compensation. Retirement expense was \$211,256 the year ended June 30, 2014 and \$229,470 for 2013.

Note 5. Indirect Cost Allocation Plan

Yadkin Valley Economic Development District, Incorporated submits its Indirect Cost Allocation Plan to its federal oversight agency, the U.S. Department of Health and Human Services, for approval on a triennial basis. The Indirect Cost Allocation Plan is based on the "alternative simplified method" whereby the costs of the indirect cost pool are allocated to each program and fund in proportion to the direct costs, excluding capital expenditures within each sub-award in excess of \$25,000, contracted costs, and other unallowed costs of each local and funded program in relation to these costs for the Organization as a whole. The final rate approved by the federal oversight agency for the year ended June 30, 2014 was 5.74%. All indirect costs are allocated based on the applicable percentage of allowable direct costs.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 6. Compensated Absences

Employees of the Organization are entitled to paid vacations (annual leave) and paid sick days (sick leave). Earned unused annual of one fiscal year may be carried over for one year. Earned annual leave not used is credited as sick leave. Upon termination from employment, earned unused annual leave may be paid if applicable program/project funds are available.

The total accrual of current unused annual leave was \$152,390 as of June 30, 2014, and \$154,625 as of June 30, 2013. The expenses and accrual, although attributable to employees in various Organization programs/projects, are reflected in the Local Service Program.

Note 7. Concentration of Credit Risk

A substantial portion of the Organization's sources of funding depend on government programs. Should those programs be terminated or cut, it could have an adverse effect on the Organization's future operations.

The Organization maintains deposits in one financial institution and generally these deposits exceed FDIC insurance coverage. At June 30, 2014, the deposits at this institution exceeded this insured limit by approximately \$570,000.

Note 8. Note Payable

The Organization has a note payable as follows:

	<u>Amount</u>
Note Payable-Capital Bank, interest only payable at a rate of 6.25% for September through November 2011, and beginning December 15, 2011, 60 equal payments of \$1,380 including principal and interest until November 15, 2016, at which time the balance is due. Secured by a deed of trust on building at 7131 NC Highway 801 South, Mocksville, NC.	<u>\$ 140,813</u>

Principal maturities are as follows:

<u>Year Ending June 30,</u>		<u>Amount</u>
2015		\$ 7,938
2016		8,448
2017		<u>124,427</u>
		<u>\$ 140,813</u>

Note 9. Capital Leases

The Organization leases various copying machines/printers under long term leases. For financial reporting purposes, the present value of the minimum lease payments has been capitalized. The leases expire at various dates with lease terms generally being for five years.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

As of June 30, 2014 the property under capital leases had a total assigned/computed value of \$137,665 and accumulated depreciation or amortization of \$78,349. The future minimum lease payments under these capital leases are as follows:

Year Ended June 30:	
2015	\$ 23,771
2016	22,368
2017	6,920
2018	6,920
2019	<u>4,785</u>
Total minimum lease payments	64,764
Less: amount representing interest	<u>6,656</u>
Present value of net minimum obligations	58,108
Less: current obligation under capital lease	<u>23,771</u>
Long term obligation under capital lease	<u>\$ 34,337</u>

Note 10. Subsequent Events

The Organization has evaluated subsequent events through February 16, 2014, the financial statement issue date.

YADKIN VALLEY ECONOMICAL DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

SCHEDULE OF FEDERAL AND STATE AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

	Federal CFDA Number	Expenditures
Federal Awards:		
<u>U.S. Department of Agriculture</u>		
Pass through NC Department of Health and Human Services Division of Women's and Children's Health Child and Adult Food Program	PY 13 10.558	* \$ 50,793
	PY 14 10.558	* 249,423
<u>U.S. Department of Health and Human Services</u>		
Direct Programs		
Head Start	PY 14 93.600	* 2,947,527
Pass through East Coast Migrant		
Head Start	PY 13 93.600	* 273,997
	PY 14 93.600	* 136,129
Pass through NC Governor's Crime Commission Victims of Crime Act - Sexual Assault	PY 14 16.575	59,137
Pass through NC Department of Health and Human Services Office of Economical Opportunity Community Service Block Grant	PY 14 93.569	* 331,001
Pass through NC Department of Health and Human Services Family Violence Prevention	PY 14 93.569	28,377
Pass through NW Piedmont Triad Regional Council		
Title III-D Preventive Health	PY 14 93.043	5,033
Title III-Parts A & B for Supportive Services & Senior Centers Senior Centers	PY 14 93.044	* 147,665
	PY 14 93.044	* 2,820
Title III-Part C Elderly Nutrition	PY 14 93.045	* 566,352
Nutrition Services Incentive Program	PY 14 10.570	* 62,407
Pass through NC Department of Insurance Medicare and Medicare Services Research	PY 14 93.779	4,514

* Major program

** Nonmajor program having compliance requirements that could have a material effect on the financial statements

See note to Schedule of Federal and State Award Expenditures.

YADKIN VALLEY ECONOMICAL DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

SCHEDULE OF FEDERAL AND STATE AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

		<u>Federal CFDA Number</u>		<u>Expenditures</u>
<u>U.S. Department of Transportation</u>				
Pass through NC Department of Transportation				
Division of Public Transportation				
Urban Mass Transportation Capital and Operating Assistance				
Formula Grants				
Administration	PY 14	20.509	*	399,481
Capital	PY 14	20.509	*	402,561
Operating	PY 14	20.509	*	143,539
TTAP	PY 14	20.513	*	67,456
5310	PY 14	20.513		125,441
5317 New Freedom				
Operating WBS	PY 14	20.513		9,236
Capital WBS	PY 14	20.513		594
Mobility Manager WBS	PY 14	20.513		18,568
 <u>Corporation for National and Community Service</u>				
Direct Program				
Retire Senior Volunteer Program	PY 13	94.002		58,976
	PY 14	94.002		20,641
 <u>U.S. Department of Energy</u>				
Pass through NC Department of Commerce, Energy Division				
Weatherization Assistance for Low Income Persons	PY 14	81.042	*	<u>503,560</u>
TOTAL FEDERAL AWARDS				<u>6,615,228</u>
 State Awards:				
NC Department of Health and Human Services:				
Division of Aging				
Pass through NW Piedmont				
Triad Regional Council				
General Purpose Senior Centers YV		N/A		63,070
General Purpose Senior Centers YC		N/A		67,983
General Purpose Senior Centers EB		N/A		64,176
General Purpose Senior Centers SFRC		N/A		74,628
General Purpose Senior Centers PM		N/A		22,273
Preventive Health		N/A		300
Title III-Parts A & B for Supportive Services and Senior Centers	PY 14	N/A	*	166
Elderly Services	PY 14	N/A	*	17,165
Title III-Part C Elderly Nutrition	PY 14	N/A	*	102,488
SSGB	PY 14	N/A	*	2,064

* Major program
See note to Schedule of Federal and State Award Expenditures.

YADKIN VALLEY ECONOMICAL DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

SCHEDULE OF FEDERAL AND STATE AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

		Federal CFDA Number		Expenditures
NC Department of Transportation				
Public Transportation Division				
Urban Mass Transportation Capital and Operating Assistance				
Formula Grants				
Administration	PY 14	20.509	*	21,023
Capital	PY 14	20.509	*	42,358
NC Department of Administration				
NC Council on the Status of Women				
Stokes County Domestic Violence Program and Marriage				
License Fee Funds	PY 14	N/A		80,313
Surry County Domestic Violence Program and Marriage				
License Fee Funds	PY 14	N/A		73,733
Yadkin County Domestic Violence Program and Marriage				
License Fee Funds	PY 14	N/A		628
Displaced Home Maker and Divorced Filing Fees	PY 14	N/A		33,363
Stokes County Sexual Assault	PY 14	N/A		19,824
Surry County Sexual Assault	PY 14	N/A		23,099
Yadkin County Sexual Assault	PY 14	N/A		16,257
TOTAL STATE AWARDS				724,911
Local				0
TOTAL AWARDS				\$ 7,340,139

* Major program
See note to Schedule of Federal and State Award Expenditures.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

NOTE TO THE SCHEDULE OF FEDERAL AND STATE
AWARDS EXPENDITURES
JUNE 30, 2014

Note 1. Basis of Presentation

The accompanying schedule of federal and state awards includes the federal and state grant activity of Yadkin Valley Economic Development District, Inc. and is presented on the modified accrual basis, capital expenditures are recognized as current expenses and no depreciation expense is recognized. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of North Carolina Auditor Memorandum NGO-2. Accordingly, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Preston Sims & Darden, P.A.
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
Yadkin Valley Economic Development District, Inc.
Boonville, North Carolina

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 Yadkin Valley Economic Development District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yadkin Valley Economic Development District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yadkin Valley Economic Development District'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 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 deficiencies 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 Yadkin Valley Economic Development District, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Pruett Sims and Darden, P.A.

Winston Salem, North Carolina

February 16, 2015

Preston Sims & Darden, P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Yadkin Valley Economic Development District, Inc.
Boonville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Yadkin Valley Economic Development District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Yadkin Valley Economic Development District's major federal programs for the year ended June 30, 2014. Yadkin Valley Economic Development District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Yadkin Valley Economic Development District'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Yadkin Valley Economic Development District'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 on Yadkin Valley Economic Development District's compliance.

Opinion on Each Major Federal Program

In our opinion, Yadkin Valley Economic Development District, 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, 2014.

Report on Internal Control Over Compliance

Management of Yadkin Valley Economic Development District, 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 Yadkin Valley Economic Development District'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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Yadkin Valley Economic Development District'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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Preston Sims and Darden P.A.

Winston Salem, North Carolina

February 16, 2015

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Yadkin Valley Economic Development District, Inc.
2. No material weaknesses were identified and no reportable conditions relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Yadkin Valley Economic Development District, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Neither significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Yadkin Valley Economic Development District, Incorporated expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:
Child and Adult Food Program CFDA 10.558
Head Start CFDA 93.600
Community Service Block Grant CFDA 93.569
Title III-Parts A&B for Supportive Services and Senior Centers CFDA 93.044
Title III-Part C Elderly Nutrition CFDA 93.045
Nutrition Services Incentive Program CFDA 10.570
Formula Grants for Other Than Urbanized Areas (Non-urbanized Area Formula Program) CFDA 20.509
Weatherization Assistance for Low-Income Persons CFDA 81.042
8. The threshold used for distinguishing between type A and type B programs was \$300,000.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
BOONVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

9. Yadkin Valley Economic Development District, Incorporated qualifies as a low risk auditee for the year ended June 30, 2014.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION C – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None