

**YADKIN VALLEY ECONOMIC DEVELOPMENT
DISTRICT, INCORPORATED**

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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

INDEX

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-8
Statements of Cash Flows	9
Notes to Financial Statements	10-15
Schedule of Federal and State Awards	16-18
Note to Schedule of Federal and State Awards	19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-21
Independent Auditor's Report on Compliance with Requirements that Could Have a Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	22-23
Schedule of Findings and Questioned Costs	24-25

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

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, 2013 and 2012, 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 audit. 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, 2013 and 2012, 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 13, 2014, on our consideration of Yadkin Valley Economic Development District'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 & Darden, PA

Winston-Salem, North Carolina
February 13, 2014

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

**STATEMENTS OF FINANCIAL POSITION - ALL FUNDS
JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 1,363,097	\$ 1,665,635
Investments	13,279	11,523
Accounts receivable, net of allowance for doubtful accounts of \$10,000	492,323	187,660
Grants receivable	725,748	690,377
Pledges receivable	72,588	77,480
Inventories	28,486	30,367
Prepaid expenses	55,269	61,365
Property, plant and equipment, net	2,856,669	2,817,174
Work in Process, Software	68,356	-
	<u>\$ 5,675,815</u>	<u>\$ 5,541,581</u>
Total Assets		
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 562,674	\$ 279,719
Accrued liabilities	418,281	276,871
Grantor payables	54,018	230,266
Leases payable	33,878	52,070
Notes payable	149,014	156,748
Total Liabilities	<u>1,217,865</u>	<u>995,674</u>
Net Assets:		
Unrestricted	1,781,530	2,020,316
Temporarily restricted	2,676,420	2,525,591
Total net assets	<u>4,457,950</u>	<u>4,545,907</u>
Total Liabilities and Net Assets	<u>\$ 5,675,815</u>	<u>\$ 5,541,581</u>

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

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013			2012		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
REVENUE AND SUPPORT						
Grants	\$ -	\$ 5,700,274	\$ 5,700,274	\$ -	\$ 6,038,937	\$ 6,038,937
In-kind contributions	-	93,891	93,891	-	81,562	81,562
Donations	279,139		279,139	214,510	-	214,510
Program income	4,732,702		4,732,702	5,121,753	-	5,121,753
Local government appropriations	-	387,091	387,091	-	395,481	395,481
Interest	-	2,282	2,282	-	3,005	3,005
Gain (loss) on disposal of fixed assets	9,950	-	9,950	(2,367)	-	(2,367)
Net assets released from restrictions:						
Satisfaction of program restrictions	6,034,465	(6,034,465)	-	6,230,617	(6,230,617)	-
Total Revenue and Support	11,056,256	149,073	11,205,329	11,564,513	288,368	11,852,881
EXPENSES						
Program expenses	10,636,733	-	10,636,733	10,676,260	-	10,676,260
Management and general	645,191	-	645,191	624,993	-	624,993
Interest expense	13,118	-	13,118	11,013	-	11,013
Total Expenses	11,295,042	-	11,295,042	11,312,266	-	11,312,266
Change in Net Assets	(238,786)	149,073	(89,713)	252,247	288,368	540,615
Net Assets at beginning of year	2,020,316	2,525,591	4,545,907	1,768,069	2,238,023	4,006,092
Change in fair value of marketable securities	-	1,756	1,756	-	(800)	(800)
Net Assets at end of year	\$ 1,781,530	\$ 2,676,420	\$ 4,457,950	\$ 2,020,316	\$ 2,525,591	\$ 4,545,907

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	<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		<u>13,118</u>
						<u>\$ 11,295,042</u>

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012 (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	\$ 153,491	\$ 1,766,215	\$ 21,667	\$ 149,550	\$ 342,931
Fringe	40,439	551,077	3,199	31,044	109,743
NON-PERSONNEL:					
Contracted services	-	37,305	-	3,095	21,258
Travel - staff and board	20,243	64,703	-	8,163	647
Travel - participants/maintenance	5,827	271,228	-	169,768	18,010
Space	8,251	292,879	-	24,369	5,917
Supplies	9,300	70,020	2,325	7,930	22,863
Insurance	1,460	24,723	-	3,859	7,830
Communications	6,908	35,099	-	5,317	2,323
Depreciation and amortization	1,568	100,887	-	-	17,446
Food	-	44,016	295,299	287,260	-
Training	-	18,268	-	467	6,078
Other	60,337	54,594	-	33,691	186,294
Total	<u>\$ 307,824</u>	<u>\$ 3,331,014</u>	<u>\$ 322,490</u>	<u>\$ 724,513</u>	<u>\$ 741,340</u>

RSVP	CTP	Other Funded Transport	Other Programs	Local Service Programs	General and Admin.	Total Expenses
\$ 48,292	\$ 1,521,588	\$ -	\$ 144,735	\$ 351,300	\$ 369,926	\$ 4,869,695
11,915	428,428	-	53,532	93,708	103,382	1,426,467
39	30,281	-	-	8,424	32,837	133,239
4,702	17,256	-	9,772	12,302	18,837	156,625
5,451	640,350	594,417	2,397	101,445	-	1,808,893
2,485	33,795	-	3,600	139,466	21,699	532,461
1,728	68,179	-	13,693	153,884	25,271	375,193
1,391	100,415	3,625	1,697	30,686	7,803	183,489
2,577	18,537	-	10,803	70,915	10,948	163,427
-	338,521	-	372	69,832	7,442	536,068
-	-	-	-	5,765	-	632,340
22	5,959	-	60	1,883	124	32,861
517	70,879	1,845	650	14,964	26,724	450,495
<u>\$ 79,119</u>	<u>\$ 3,274,188</u>	<u>\$ 599,887</u>	<u>\$ 241,311</u>	<u>\$ 1,054,574</u>	<u>\$ 624,993</u>	<u>\$ 11,301,253</u>
				Interest expense		11,013
						<u>\$ 11,312,266</u>

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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (89,713)	\$ 540,615
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	533,196	536,068
(Gain) Loss from sales of assets	(9,950)	2,367
Changes in operating assets and liabilities:		
Accounts receivable-net	(304,663)	232,628
Grants receivables	(35,371)	(319,080)
Pledges receivable	4,892	(19,617)
Inventory	1,881	7,897
Prepaid expenses	6,096	40,332
Accounts payable	282,955	16,037
Grantor payables	(176,248)	219,472
Grantor advances	-	(167,948)
Accrued liabilities	141,410	15,613
Deferred revenue	-	(7,667)
Net cash provided by operating activities	354,485	1,096,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Unrealized (gain) loss on stock held as investment	(1,756)	800
Proceeds from sale of plant, property and equipment	24,950	-
Purchase of plant, property and equipment	(654,291)	(829,577)
Net cash used by investing activities	(631,097)	(828,777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgage loan	-	160,000
Payments towards mortgage loan	(7,734)	(3,252)
Payments on obligations under capital lease	(18,192)	(17,309)
Net cash used by financing activities	(25,926)	139,439
 Net increase in cash and cash equivalents	 (302,538)	 407,379
Cash and cash equivalents at beginning of year	1,665,635	1,258,256
Cash and cash equivalents at end of year	\$ 1,363,097	\$ 1,665,635

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 AND 2012

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 \$5,000 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, 2013 AND 2012

Date of Management's Review

Subsequent events were evaluated through February 13, 2014, 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).

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 it's 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, 2013 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	1,061,950	1,295,701	2,357,651
Office and communications equipment	523,810	142,327	666,137
Heavy equipment	71,258	3,821	75,079
Vehicles	<u>3,532,305</u>	<u>217,019</u>	<u>3,749,324</u>
	5,242,122	1,914,591	7,156,713
Less accumulated depreciation	<u>3,612,498</u>	<u>687,546</u>	<u>4,300,044</u>
	<u>\$1,629,624</u>	<u>\$ 1,227,045</u>	<u>\$ 2,856,669</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, 2013 AND 2012

accordance with the project agreement. These assets are included in the Statement of Financial Position, net of accumulated depreciation of \$3,626,568 (See Note 2, Property and Equipment).

<u>Program</u>	<u>Cost</u> <u>6/30/2012</u>	<u>Additions</u> <u>6/30/2013</u>	<u>Deletions</u> <u>6/30/2013</u>	<u>Cost</u> <u>6/30/2013</u>
Head Start	\$ 1,039,742	\$ 10,162	\$ -	\$ 1,049,904
Head Start ARRA	17,184	-	-	17,184
Weatherization	56,538	1,125	-	57,663
WAP ARRA	134,251	-	-	134,251
Community Transport Program	2,284,932	531,592	-	2,816,524
Community Transport Program ARRA	227,256	-	-	227,256
CSBG	9,669	-	-	9,669
Courtney Business Development	192,064	-	-	192,064
Yadkin Co. Domestic Violence	1,485	-	-	1,485
Stokes Domestic Violence	3,247	2,171	-	5,418
Surry Domestic Violence	330	-	-	330
ECMHS	526,269	4,450	-	530,719
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>\$ 4,692,622</u>	<u>\$ 549,500</u>	<u>\$ -</u>	<u>\$ 5,242,122</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 \$229,470 the year ended June 30, 2013 and \$235,026 for 2012.

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, 2013 was 6.35%. 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, 2013 AND 2012

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 \$154,625 as of June 30, 2013, and \$146,666 as of June 30, 2012. 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, 2013, the deposits at this institution exceeded this insured limit by approximately \$1,113,000.

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>\$ 149,014</u>

Principal maturities are as follows:

<u>Year Ending June 30,</u>		<u>Amount</u>
2014		\$ 7,458
2015		7,938
2016		8,448
2017		<u>125,170</u>
		<u>\$ 149,014</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, 2013 AND 2012

As of June 30, 2013 the property under capital leases had a total assigned/computed value of \$89,414 and accumulated depreciation or amortization of \$61,760. The future minimum lease payments under these capital leases are as follows:

Year Ended June 30:	
2014	\$ 18,364
2015	<u>15,514</u>
Total minimum lease payments	33,878
Less: amount representing interest	<u>1,961</u>
Present value of net minimum obligations	31,917
Less: current obligation under capital lease	<u>18,364</u>
Long term obligation under capital lease	<u>\$ 13,553</u>

Note 10. Grantor Payable

The Grantor payable amount of \$230,266 represents a reimbursement that the Organization received twice from a funding source in error. It is therefore recorded as a payable at June 30, 2012 and was repaid subsequent to the year end.

Note 11. Subsequent Events

The Organization has evaluated subsequent events through February 13, 2013, 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, 2013

	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	** \$ 273,228
<u>U.S. Department of Health and Human Services</u>		
Direct Programs Head Start	PY 13 93.600	* 3,049,251
Pass through East Coast Migrant Head Start	PY 13 93.600	* 428,748
Pass through NC Governor's Crime Commission Victims of Crime Act - Sexual Assault	PY 13 16.575	3,127
Pass through NC Department of Health and Human Services Office of Economical Opportunity Community Service Block Grant	PY 13 93.569	* 328,922
Pass through NC Department of Health and Human Services Family Violence Prevention	PY 13 93.569	977
Pass through NW Piedmont Triad Regional Council		
Title III-D Preventive Health	PY 13 93.043	5,033
Title III-Parts A & B for Supportive Services & Senior Centers Senior Centers	PY 13 93.044	* 99,018
	PY 13 93.044	* 4,476
Title III-Part C Elderly Nutrition	PY 13 93.045	* 344,203
SSGB	PY 13 93.667	2,299
Nutrition Services Incentive Program	PY 13 10.570	* 46,855
Pass through NC Department of Insurance Medicare and Medicare Services Research	PY 13 93.779	5,787

* 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, 2013

		Federal CFDA Number		Expenditures
<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 13	20.509	*	398,439
Capital	PY 12	20.509	*	92,032
Capital	PY 13	20.509	*	279,391
TTAP	PY 13	20.513	*	64,657
5310	PY 13	20.513		26,579
5317 New Freedom				
Operating WBS	PY 13	20.513		11,859
Capital WBS	PY 13	20.513		69,876
<u>Corporation for National and Community Service</u>				
Direct Program				
Retire Senior Volunteer Program	PY 13	94.002		75,415
<u>U.S. Department of Energy</u>				
Pass through NC Department of Commerce, Energy Division				
Weatherization Assistance for Low Income Persons	PY 13	81.042	*	172,768
TOTAL FEDERAL AWARDS				5,782,940
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		76,859
General Purpose Senior Centers YC		N/A		66,450
General Purpose Senior Centers EB		N/A		69,567
General Purpose Senior Centers SFRC		N/A		67,644
General Purpose Senior Centers PM		N/A		19,740
Preventive Health				
		N/A		300
Title III-Parts A & B for Supportive Services and Senior Centers	PY 13	N/A	*	236
Elderly Services	PY 13	N/A	*	69,640
Title III-Part C Elderly Nutrition	PY 13	N/A	*	173,503
SSGB	PY 13	N/A	*	2,189

* 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

		<u>Federal CFDA Number</u>		<u>Expenditures</u>
NC Department of Transportation				
Public Transportation Division				
Urban Mass Transportation Capital and Operating Assistance				
Formula Grants				
Administration	PY 13	20.509	*	24,898
Capital	PY 12	20.509	*	11,503
Capital	PY 13	20.509	*	34,922
TTAP	PY 12	20.513		8,080
5317 New Freedom	PY 13	20.513		
Operating WBS	PY 13	20.513		3,003
Capital WBS	PY 13	20.513		8,734
NC Department of Administration				
NC Council on the Status of Women				
Stokes County Domestic Violence Program and Marriage License Fee Funds	PY 13	N/A		84,587
Yadkin County Domestic Violence Program and Marriage License Fee Funds	PY 13	N/A		76,887
Stokes County Sexual Assault	PY 13	N/A		15,298
Surry County Sexual Assault	PY 13	N/A		13,679
Yadkin County Sexual Assault	PY 13	N/A		12,257
TOTAL STATE AWARDS				<u>839,976</u>
Local				<u>0</u>
TOTAL AWARDS				<u>\$ 6,622,916</u>

* 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, 2013

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, 2013, 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 13, 2014.

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.

Preston Sims & Darden, PA

Winston Salem, North Carolina
February 13, 2014

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, 2013. 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, 2013.

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 & Darden, PA

Winston Salem, North Carolina
February 13, 2014

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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:
 - Head Start CFDA 93.600
 - ARRA Head Start CFDA 93.708
 - Formula Grants for Other Than Urbanized Areas (Non-urbanized Area Formula Program) CFDA 20.509
 - Title III-Parts A&B for Supportive Services and Senior Centers CFDA 93.044
 - Title III-Part C Elderly Nutrition CFDA 93.045
 - ARRA Title III-Part C Elderly Nutrition CFDA 93.707
 - Nutrition Services Incentive Program CFDA 93.053
 - ARRA Nutrition Services Incentive Program CFDA 93.053
 - Community Service Block Grant CFDA 93.569
 - ARRA Community Service Block Grant CFDA 93.710
 - Weatherization Assistance for Low-Income Persons CFDA 81.042
 - ARRA Weatherization Assistance for Low-Income Persons CFDA 81.042

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

8. The threshold used for distinguishing between type A and type B programs was \$300,000.
9. Yadkin Valley Economic Development District, Incorporated did not qualify as a low risk auditee.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION C – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None