

Yadkin Valley Economic Development District, Inc.

**Financial Statements and
Supplementary Information**

Years Ended June 30, 2018 and 2017

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Independent Auditors' Report

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, 2018 and 2017, 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.

Auditors' 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 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 auditors' 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 YVEDDI as of June 30, 2018 and 2017, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2019, on our consideration of YVEDDI'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 YVEDDI's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**High Point, North Carolina
January 15, 2019**

Yadkin Valley Economic Development District, Inc.
Statements of Financial Position
June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 689,100 | \$ 1,042,762 |
| Investments | - | 24,020 |
| Accounts receivable, net of allowance for doubtful accounts of \$102,540 and \$90,515 as of June 30, 2018 and 2017, respectively | 415,324 | 267,334 |
| Grants receivable | 512,451 | 588,051 |
| Other current assets | <u>78,209</u> | <u>67,055</u> |
| Total current assets | 1,695,084 | 1,989,222 |
| Property, plant and equipment, net | <u>3,557,896</u> | <u>2,787,643</u> |
| Total assets | <u>\$ 5,252,980</u> | <u>\$ 4,776,865</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 825,250 | \$ 412,447 |
| Accrued liabilities | 423,249 | 492,335 |
| Current maturities of capital lease obligations | 36,883 | 45,395 |
| Current maturities of note payable | <u>39,526</u> | <u>16,360</u> |
| Total current liabilities | 1,324,908 | 966,537 |
| Capital lease obligations, net of current maturities | 121,299 | 13,065 |
| Note payable, net of current maturities | 273,907 | 202,587 |
| Other long-term liabilities | 11,772 | 35,759 |
| Net assets: | | |
| Unrestricted | 673,293 | 922,200 |
| Temporarily restricted | <u>2,847,801</u> | <u>2,636,717</u> |
| Total net assets | <u>3,521,094</u> | <u>3,558,917</u> |
| Total liabilities and net assets | <u>\$ 5,252,980</u> | <u>\$ 4,776,865</u> |

See accompanying notes.

Yadkin Valley Economic Development District, Inc.
Statements of Activities
For the Years Ended June 30, 2018 and 2017

| | 2018 | | | 2017 | | |
|---|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total |
| REVENUE AND SUPPORT | | | | | | |
| Grants | \$ - | \$ 7,843,778 | \$ 7,843,778 | \$ - | \$ 7,303,455 | \$ 7,303,455 |
| In-kind contributions | - | 340,625 | 340,625 | - | 355,240 | 355,240 |
| Donations | 139,798 | - | 139,798 | 141,537 | - | 141,537 |
| Program income | 3,701,779 | - | 3,701,779 | 4,277,339 | - | 4,277,339 |
| Local government appropriations | - | 416,717 | 416,717 | - | 377,773 | 377,773 |
| Interest | - | 1,763 | 1,763 | - | 1,486 | 1,486 |
| Gain on sale of property, plant and equipment | 32,805 | - | 32,805 | 43,085 | - | 43,085 |
| Unrealized gain on investments | - | 3,782 | 3,782 | - | 6,365 | 6,365 |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of program restrictions | 8,395,581 | (8,395,581) | - | 7,914,733 | (7,914,733) | - |
| Total revenue and support | <u>12,269,963</u> | <u>211,084</u> | <u>12,481,047</u> | <u>12,376,694</u> | <u>129,586</u> | <u>12,506,280</u> |
| EXPENSES | | | | | | |
| Program expenses | 11,760,297 | - | 11,760,297 | 11,800,899 | - | 11,800,899 |
| Management and general | 732,139 | - | 732,139 | 674,123 | - | 674,123 |
| Interest expense | 26,434 | - | 26,434 | 11,729 | - | 11,729 |
| Total expenses | <u>12,518,870</u> | <u>-</u> | <u>12,518,870</u> | <u>12,486,751</u> | <u>-</u> | <u>12,486,751</u> |
| Change in net assets | (248,907) | 211,084 | (37,823) | (110,057) | 129,586 | 19,529 |
| Net assets at beginning of year | <u>922,200</u> | <u>2,636,717</u> | <u>3,558,917</u> | <u>1,032,257</u> | <u>2,507,131</u> | <u>3,539,388</u> |
| Net assets at end of year | <u>\$ 673,293</u> | <u>\$ 2,847,801</u> | <u>\$ 3,521,094</u> | <u>\$ 922,200</u> | <u>\$ 2,636,717</u> | <u>\$ 3,558,917</u> |

See accompanying notes.

Yadkin Valley Economic Development District, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

| | <u>Community Services Block Grant</u> | <u>Head Start</u> | <u>U.S.D.A. Nutrition</u> | <u>Older Americans Act</u> | <u>Weatherization</u> |
|---------------------------------------|---|---------------------|-------------------------------|------------------------------------|-----------------------|
| Personnel: | | | | | |
| Salaries and wages | \$ 185,144 | \$ 1,768,406 | \$ 19,914 | \$ 131,906 | \$ 261,103 |
| Fringe | 73,922 | 622,213 | 3,015 | 41,167 | 95,034 |
| Non-personnel: | | | | | |
| Contracted services | - | - | - | 30,934 | 132,903 |
| Travel - staff and board | 7,986 | 50,405 | - | 4,947 | - |
| Travel - participants/ maintenance | 4,850 | 114,063 | - | 193,016 | 9,897 |
| Facilities | 6,874 | 272,883 | - | 22,004 | 10,689 |
| Supplies | 2,679 | 107,102 | 13 | 6,029 | 350,969 |
| Insurance | 2,255 | 26,967 | - | 10,799 | 9,305 |
| Communications | 4,003 | 65,184 | - | 1,470 | 2,922 |
| Depreciation | 3,440 | 95,454 | - | 288 | 13,179 |
| Food | - | 27,235 | 245,632 | 359,252 | - |
| Training | - | 43,071 | - | 569 | 72,653 |
| Other | 56,095 | 268,846 | 17,012 | 43,806 | 26,115 |
| Total | <u>\$ 347,248</u> | <u>\$ 3,461,829</u> | <u>\$ 285,586</u> | <u>\$ 846,187</u> | <u>\$ 984,769</u> |

See accompanying notes.

Yadkin Valley Economic Development District, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

| <u>Retired and Senior Volunteer Program</u> | <u>Community Transportation Program</u> | <u>Other Programs</u> | <u>Local Service Programs</u> | <u>General and Administrative</u> | <u>Total Expenses</u> |
|---|---|---------------------------|---------------------------------------|---|---------------------------|
| \$ 19,767 | \$ 1,312,933 | \$ 295,539 | \$ 203,653 | \$ 387,642 | \$ 4,586,007 |
| 7,715 | 479,585 | 91,153 | 58,822 | 113,215 | 1,585,841 |
| - | 453,185 | 1,029 | 18,940 | 59,598 | 696,589 |
| 1,158 | 11,343 | 5,174 | 3,496 | 2,191 | 86,700 |
| 21,934 | 1,422,202 | - | - | 3,016 | 1,768,978 |
| 1,350 | 70,428 | 8,200 | 83,372 | 36,201 | 512,001 |
| 459 | 6,385 | 7,351 | 18,220 | 20,254 | 519,461 |
| 895 | 126,746 | 1,509 | 8,410 | 20,448 | 207,334 |
| 1,049 | 82,109 | 21,076 | 24,220 | 7,594 | 209,627 |
| 364 | 564,804 | 3,005 | 56,236 | 74,992 | 811,762 |
| - | - | 3,753 | - | - | 635,872 |
| - | 4,198 | - | 1,520 | - | 122,011 |
| 5,109 | 223,609 | 89,833 | 12,840 | * 6,988 | 750,253 |
| <u>\$ 59,800</u> | <u>\$ 4,757,527</u> | <u>\$ 527,622</u> | <u>\$ 489,729</u> | <u>\$ 732,139</u> | 12,492,436 |
| | | | Interest expense | | <u>26,434</u> |
| | | | | | <u>\$ 12,518,870</u> |

Yadkin Valley Economic Development District, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017

| | <u>Community Services Block Grant</u> | <u>Head Start</u> | <u>U.S.D.A. Nutrition</u> | <u>Older Americans Act</u> | <u>Weatherization</u> |
|---------------------------------------|---|---------------------|-------------------------------|------------------------------------|-----------------------|
| Personnel: | | | | | |
| Salaries and wages | \$ 190,032 | \$ 1,789,598 | \$ 18,556 | \$ 135,932 | \$ 216,665 |
| Fringe | 73,195 | 617,713 | 2,923 | 37,775 | 57,782 |
| Non-personnel: | | | | | |
| Contracted services | - | - | - | 14,839 | 278,345 |
| Travel - staff and board | 5,600 | 34,900 | - | 8,406 | - |
| Travel - participants/ maintenance | 5,950 | 227,583 | - | 177,094 | 8,058 |
| Facilities | 9,630 | 232,746 | - | 25,911 | 3,985 |
| Supplies | 2,870 | 144,178 | 606 | 8,094 | 504,670 |
| Insurance | 2,080 | 24,219 | - | 9,988 | 8,733 |
| Communications | 6,662 | 37,768 | - | 4,320 | 5,743 |
| Depreciation | 3,793 | 85,955 | - | 643 | 14,453 |
| Food | - | - | 286,739 | 331,280 | - |
| Training | 3,354 | 38,929 | - | 2,969 | 51,082 |
| Other | 100,000 | 237,619 | - | 17,730 | 16,201 |
| Total | <u>\$ 403,166</u> | <u>\$ 3,471,208</u> | <u>\$ 308,824</u> | <u>\$ 774,981</u> | <u>\$ 1,165,717</u> |

See accompanying notes.

Yadkin Valley Economic Development District, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017

| <u>Retired and Senior Volunteer Program</u> | <u>Community Transportation Program</u> | <u>Other Programs</u> | <u>Local Service Programs</u> | <u>General and Administrative</u> | <u>Total Expenses</u> |
|---|---|---------------------------|---------------------------------------|---|---------------------------|
| \$ 20,631 | \$ 1,272,642 | \$ 302,713 | \$ 205,723 | \$ 373,568 | \$ 4,526,060 |
| 3,510 | 472,785 | 96,118 | 63,328 | 105,812 | 1,530,941 |
| - | 431,614 | 3,046 | 19,672 | 38,128 | 785,644 |
| 451 | 32,193 | 4,925 | 7,905 | 2,553 | 96,933 |
| 4,314 | 1,357,600 | - | - | 868 | 1,781,467 |
| 566 | 42,081 | 6,600 | 86,589 | 17,679 | 425,787 |
| 763 | 7,231 | 17,310 | 25,339 | 17,043 | 728,104 |
| 1,273 | 111,093 | 7,203 | 4,272 | 9,691 | 178,552 |
| 72 | 74,616 | 17,059 | 13,924 | 12,624 | 172,788 |
| 364 | 543,910 | 3,483 | 23,150 | 65,015 | 740,766 |
| - | - | - | - | - | 618,019 |
| - | 4,984 | - | 2,015 | 179 | 103,512 |
| 6,956 | 215,749 | 106,542 | 54,689 | * 30,963 | 786,449 |
| <u>\$ 38,900</u> | <u>\$ 4,566,498</u> | <u>\$ 564,999</u> | <u>\$ 506,606</u> | <u>\$ 674,123</u> | 12,475,022 |
| | | | Interest expense | | <u>11,729</u> |
| | | | | | <u>\$ 12,486,751</u> |

Yadkin Valley Economic Development District, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|--------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (37,823) | \$ 19,529 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 811,762 | 740,766 |
| Bad debt expense | 12,025 | 19,237 |
| Gain on sale of property, plant and equipment | (32,805) | (43,085) |
| Gain on sale of investments | (3,782) | - |
| Unrealized gain on investments | - | (6,365) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (160,015) | (24,952) |
| Grants receivables | 75,600 | (173,861) |
| Other current assets | (11,154) | (4,086) |
| Accounts payable | 229,557 | 60,070 |
| Grantor payables | - | (25,000) |
| Accrued liabilities | (69,086) | 90,321 |
| Other long-term liabilities | (23,987) | - |
| Net cash provided by operating activities | <u>790,292</u> | <u>652,574</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 27,802 | - |
| Proceeds from sale of property, plant and equipment | 50,057 | 43,085 |
| Purchase of property, plant and equipment | <u>(1,277,498)</u> | <u>(559,813)</u> |
| Net cash used by investing activities | <u>(1,199,639)</u> | <u>(516,728)</u> |
| Cash flows from financing activities: | | |
| Payments on note payable | (99,856) | (9,277) |
| Proceeds from note payable | 194,342 | 105,420 |
| Payments on capital lease obligations | <u>(38,801)</u> | <u>(32,376)</u> |
| Net cash provided by financing activities | <u>55,685</u> | <u>63,767</u> |
| Net increase (decrease) in cash equivalents | <u>(353,662)</u> | <u>199,613</u> |
| Cash and cash equivalents, beginning of year | <u>1,042,762</u> | <u>843,149</u> |
| Cash and cash equivalents, end of year | <u>\$ 689,100</u> | <u>\$ 1,042,762</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash payments for interest | <u>\$ 26,434</u> | <u>\$ 11,729</u> |
| Noncash transactions: | | |
| Property, plant and equipment acquired by capital lease obligation | <u>\$ 138,523</u> | <u>\$ 143,497</u> |
| Property, plant and equipment included in accounts payable | <u>\$ 183,246</u> | <u>\$ -</u> |

See accompanying notes.

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies

Nature of business

Yadkin Valley Economic Development District, Inc. ("YVEDDI" or the "Organization"), is a nonprofit community action agency, which administers the grant funds it receives by the provision of Uniform Guidance. 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 Bend 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* consist of assets, net of liabilities, related to the Organization's operating activities, which are available at the discretion of the Board of Directors. 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 Organization to use or expend the assets as specified. These restrictions are satisfied either by the passage of time or by actions of the Organization. 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 Organization 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.

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.

Yadkin Valley Economic Development District, Inc.
Notes to Financial Statements

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.

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 their fair 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 in the United State of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts receivable

Accounts receivable are uncollateralized obligations of customers that are stated at the amount billed and are due within 30 days. The carrying amount of accounts receivable is reduced by accounts considered uncollectible. The Organization maintains an allowance for doubtful accounts for receivables which is an estimate based on collection experience and a review of the current status of trade accounts receivable.

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is also exempt from North Carolina income tax. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2018.

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.

Capital lease obligations

Leases that transfer substantially all of the benefits and risks of ownership to an entity are accounted for as capital leases. The present value of the lease payments are reported as capital lease obligations in the accompanying statements of financial position. The leased assets are capitalized and the related amortization is included in depreciation expense (Note 9).

Yadkin Valley Economic Development District, Inc.
Notes to Financial Statements

Cash and cash equivalents

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

Reclassifications

Certain amounts from the 2017 financial statements have been reclassified to conform to the 2018 presentation.

Subsequent events

The Organization evaluated the effect subsequent events might have on the financial statements dated January 15, 2019. The evaluation included a review of the potential impact of the change in North Carolina to Medicaid managed care in 2019. The transition to Medicaid managed care could result in the loss of a significant revenue stream for the Organization. The amount of the change cannot be determined as of the date of the financial statements. The Organization is continuing to monitor the potential effect of the change.

2. Property, Plant and Equipment

Property and equipment owned at June 30, 2018 and 2017 by the Organization consists of the following:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|---------------------|---------------------|
| Major fixed asset classification: | | |
| Land | \$ 265,223 | \$ 265,223 |
| Construction in progress | 398,796 | 67,596 |
| Buildings and improvements | 3,297,907 | 3,110,307 |
| Office and communications equipment | 1,325,808 | 1,140,316 |
| Heavy equipment | 61,849 | 46,849 |
| Vehicles | <u>3,870,542</u> | <u>3,446,040</u> |
| | 9,220,125 | 8,076,331 |
| Less accumulated depreciation | <u>5,662,229</u> | <u>5,288,688</u> |
| | <u>\$ 3,557,896</u> | <u>\$ 2,787,643</u> |

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 accordance with the project agreement. These assets are included in the statements of financial position and consist of the following amounts:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|---------------------|---------------------|
| Book Value of restricted property | \$ 7,044,414 | \$ 6,586,411 |
| Accumulated depreciation | <u>4,909,015</u> | <u>4,669,901</u> |
| Net book value of restricted property | <u>\$ 2,135,399</u> | <u>\$ 1,916,510</u> |

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 \$222,086 for the year ended June 30, 2018 and \$218,336 for the year ended June 30, 2017.

5. Indirect Cost Allocation Plan

The Organization 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 years ended June 30, 2018 and 2017 were 7.15% and 6.50%, respectively. All indirect costs are allocated based on the applicable percentage of allowable direct costs.

6. Compensated Absences

Employees of the Organization are entitled to paid vacations (annual leave) and paid sick days (sick leave). Earned unused annual leave from one fiscal year may be carried over to subsequent periods however, employees may only accumulate up to thirteen days of annual leave. 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 Organization has no obligation to pay accumulated sick leave upon termination from employment and accordingly, no accrual for sick leave has been recorded.

The total accrual of current unused annual leave was \$155,853 as of June 30, 2018 and \$165,124 as of June 30, 2017. The expenses and accrual, although attributable to employees in various Organization programs/projects, are reflected in the Local Service Program.

7. Concentrations 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. At times, the Organization maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and believes the risk of loss is insignificant.

Yadkin Valley Economic Development District, Inc.
Notes to Financial Statements

8. Note Payable

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| Note payable - Capital Bank, this note was refinanced on December 15, 2016. The terms of the refinance extended the maturity date to December 15, 2026, increased principle amount \$150,000 and changed the interest rate to 4.38%. There will be 120 payments of \$1,550, including interest. The loan is secured by a deed of trust on building at 7131 NC Highway 801 South, Mocksville, NC. No financial covenants exist. | \$ 132,550 | \$ 143,947 |
| Note payable - Capital Bank, 59 payments of \$1,295, including interest of 4.50%, will be made beginning on September 30, 2017 with the final payment due on August 30, 2022. The interest rate for the year ended June 30, 2018 was 4.50%. The loan is secured by vehicles. No financial covenants exist. | 58,853 | - |
| Note payable - Capital Bank, 9 monthly consecutive interest payments beginning July 1, 2017 at 4.730% on unpaid balance then 74 monthly consecutive principle and interest payments of \$1,561 beginning April 1, 2018 with the final principle and interest due on June 2024. The loan is secured by a deed of trust on building at 533 North Carolina Avenue, Boonville, North Carolina. No financial covenants exist. | <u>122,030</u> | <u>75,000</u> |
| | 313,433 | 218,947 |
| Less current maturities | <u>39,526</u> | <u>16,360</u> |
| | <u>\$ 273,907</u> | <u>\$ 202,587</u> |

Principal maturities are as follows:

| | |
|------------|--------------------------|
| 2019 | \$ 39,526 |
| 2020 | 41,357 |
| 2021 | 43,273 |
| 2022 | 45,278 |
| 2023 | 31,626 |
| Thereafter | <u>112,373</u> |
| | <u>\$ 313,433</u> |

The Organization has a \$450,000 line-of-credit agreement with Capital Bank which matures on May 9, 2019 and is secured by certain property. Interest under this agreement is payable monthly at the bank prime rate (5.00% as of June 30, 2018). The line-of-credit is secured by certain real estate and no financial covenants exist. As of June 30, 2018 and 2017, there were no outstanding borrowings on this line-of-credit.

Yadkin Valley Economic Development District, Inc.
Notes to Financial Statements

9. Capital Leases

The Organization is the lessee of various copying machines/printers, vehicle gas conversions, and lighting upgrades under capital leases. The assets and liabilities under capital lease are initially recorded at the present value of the minimum lease payments, and are amortized over the shorter of the estimated useful lives of the assets or the term of the lease. Amortization of assets under capital lease is included in depreciation expense and the lease is secured by the various assets under lease.

The future minimum lease payments under these capital leases as of June 30, 2018 are as follows:

| | | |
|--|----|----------------|
| 2019 | \$ | 45,348 |
| 2020 | | 45,319 |
| 2021 | | 45,319 |
| 2022 | | 33,235 |
| 2023 | | <u>8,886</u> |
| Total minimum lease payments | | 178,107 |
| Less: amount representing interest | | <u>19,925</u> |
| Present value of net minimum obligations | | 158,182 |
| Less: current obligation under capital lease | | <u>36,883</u> |
| Long-term obligation under capital lease | \$ | <u>121,299</u> |

As of June 30, 2018 and June 30, 2017, the capitalized cost of assets held under capital lease obligations was \$226,182 and \$152,342, respectively. Additionally, the related accumulated depreciation for those leased assets as of June 30, 2018 and June 30, 2017 was \$40,024 and \$25,235, respectively.

10. Operating Lease

The Organization leases a facility under a non-cancellable operating lease agreement which expired in November 2018. At the Organization's discretion, the agreement contains a renewal option to extend the lease term for two additional five-year periods at the conclusion of the original lease term. The Organization exercised this option and extended the lease term until January 2024. Monthly rent under this agreement is \$1,775 through January 2019, and \$1,725 beginning February 1, 2019.

The Organization entered into a long-term operating lease agreement for a facility during fiscal year 2017. In November 2018, the building under this lease was donated to the Organization by the owner and the lease was terminated.

The minimum annual rent commitment under this non-cancelable operating lease as of June 30, 2018 is as follows:

| | | |
|------------|----|----------------|
| 2019 | \$ | 24,050 |
| 2020 | | 20,700 |
| 2021 | | 20,700 |
| 2022 | | 20,700 |
| 2023 | | 20,700 |
| Thereafter | | <u>12,075</u> |
| | \$ | <u>118,925</u> |

Yadkin Valley Economic Development District, Inc.
Notes to Financial Statements

Total rent expense for operating leases was \$33,300 for the years ended June 30, 2018 and June 30, 2017, respectively.

11. Contingencies

The Organization has been named as a defendant in a lawsuit relating to the alleged actions of one of its employees. The final outcome or range of losses associated with this litigation cannot currently be determined based on the facts presently known.

12. Fair Value of Assets and Liabilities

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1:** Observable inputs such as quoted prices in active markets.
- Level 2:** Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3:** Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Assets and liabilities measured at fair value on a recurring basis

Prices for certain cash equivalents, such as money market mutual funds, and investment securities which are readily available in the active markets in which those securities are traded, are categorized as Level 1.

The following tables set forth by level, within the fair value hierarchy, the Organization's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2018 and 2017:

| | <u>Assets at Fair Value as of June 30, 2018</u> | | |
|-------------------|---|----------------|----------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Assets: | | | |
| Equity securities | \$ - | \$ - | \$ - |
| | | | |
| | <u>Assets at Fair Value as of June 30, 2017</u> | | |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Assets: | | | |
| Equity securities | \$ 24,020 | \$ - | \$ - |

The Organization has \$689,100 and \$1,042,762 in cash and cash equivalents as of June 30, 2018 and 2017, respectively, which are not classified as a Level.

Compliance Section

Independent Auditors' 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

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. ("YVEDDI"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered YVEDDI'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 YVEDDI's internal control. Accordingly, we do not express an opinion on the effectiveness of the YVEDDI'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 YVEDDI'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 YVEDDI's financial statements are free from 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 YVEDDI'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.

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
January 15, 2019**

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited Yadkin Valley Economic Development District Inc.'s ("YVEDDI") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of YVEDDI's major federal programs for the year ended June 30, 2018. YVEDDI'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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, YVEDDI 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, 2018.

Report on Internal Control over Compliance

Management of YVEDDI 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 YVEDDI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of YVEDDI'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
January 15, 2019**

**Yadkin Valley Economic Development District, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018**

| <u>Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures (Direct and Pass-Through)</u> |
|---|------------------------------------|---|
| FEDERAL GRANTS | | |
| Cash Assistance: | | |
| <u>U.S. Department of Agriculture</u> | | |
| Passed through the NC Department of Public Instruction Division of Women's and Children's Health Child and Adult Food Program | 10.558 | \$ 285,585 |
| <u>U.S. Department of Health and Human Services</u> | | |
| Direct Programs | | |
| Head Start | 93.600 | 2,744,035 |
| Passed through East Coast Migrant | | |
| Head Start | 93.600 | <u>420,145</u> |
| Total Head Start | | 3,164,180 |
| Passed through NC Governor's Crime Commission | | |
| Victims of Crime Act - Sexual Assault | 16.575 | 81,937 |
| Passed through NC Department of Health and Human Services | | |
| Office of Economical Opportunity | | |
| Community Service Block Grant | 93.569 | 360,819 |
| Passed through NC Department of Health and Human Services | | |
| Family Violence Prevention | 93.569 | <u>29,834</u> |
| Total Community Services Block Grant | | 390,653 |
| Passed through NW Piedmont | | |
| Triad Regional Council | | |
| Title III, Parts A & B for Supportive Services & Senior Centers | 93.044 | 87,280 |
| Title III, Part C Elderly Nutrition | 93.045 | 245,847 |
| Nutrition Services Incentive Program | 93.053 | 66,298 |
| Passed through NC Department of Health and | | |
| Human Services/NC Department of Environmental Quality | | |
| Weatherization Assistance for Low Income Persons | 93.568 | 297,567 |
| Heating and Air Repair and Replacement Program | 93.568 | <u>160,061</u> |
| | | 457,628 |

**Yadkin Valley Economic Development District, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018**

| <u>Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures (Direct and Pass-Through)</u> |
|---|------------------------------------|---|
| FEDERAL GRANTS (Continued) | | |
| Cash Assistance: | | |
| <u>U.S. Department of Transportation</u> | | |
| Passed through NC Department of Transportation | | |
| Division of Public Transportation | | |
| Urban Mass Transportation Capital and Operating Assistance | | |
| Formula Grants | | |
| Administration | 20.509 | 335,434 |
| Capital | 20.509 | 491,389 |
| Operating | 20.509 | <u>91,686</u> |
| | | 918,509 |
| Transit Services Programs Cluster: | | |
| Enhanced mobility of seniors and individuals | 20.513 | 93,700 |
| New Freedom Program | 20.521 | <u>26,076</u> |
| Total Transit Services Program Cluster | | 119,776 |
| <u>Corporation for National and Community Service</u> | | |
| Direct Program | | |
| Retire Senior Volunteer Program | 94.002 | 42,770 |
| <u>U.S. Department of Energy</u> | | |
| Passed through NC Department of Commerce, Energy Division | | |
| Weatherized Assistance for Low Income Persons | 81.042 | <u>109,028</u> |
| Total federal awards | | <u>\$ 5,969,491</u> |

**Yadkin Valley Economic Development District, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018**

| <u>Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures (Direct and Pass-Through)</u> |
|---|------------------------------------|---|
| STATE GRANTS | | |
| Cash Assistance: | | |
| <u>N.C. Department of Health and Human Services:</u> | | |
| Division of Aging | | |
| Pass through NW Piedmont | | |
| Triad Regional Council | | |
| General Purpose Senior Centers YV | N/A | \$ 10,939 |
| General Purpose Senior Centers YC | N/A | 10,939 |
| General Purpose Senior Centers EC | N/A | 10,939 |
| General Purpose Senior Centers SCSC | N/A | 7,292 |
| General Purpose Senior Centers PM | N/A | 3,647 |
| Title III, Parts A & B for Supportive Services and Senior Centers | N/A | 35,882 |
| Title III, Part C Elderly Nutrition | N/A | 147,895 |
| <u>N.C. Department of Transportation</u> | | |
| Public Transportation Division | | |
| Formula Grants | | |
| Administration | N/A | 30,561 |
| Capital | N/A | 64,681 |
| Elderly and Disabled | N/A | 276,410 |
| Rural General Public | N/A | 348,201 |
| 5310 - Enhanced mobility of seniors and individuals | N/A | 7,748 |
| <u>N.C. Department of Administration</u> | | |
| NC Council on the Status of Woman | | |
| Stokes County Domestic Violence Program and Marriage License Fee Funds | N/A | 67,055 |
| Surry County Domestic Violence Program and Marriage License Fee Funds | N/A | 67,055 |
| Yadkin County Domestic Violence Program and Marriage License Fee Funds | N/A | 67,055 |
| Stokes County Sexual Assault | N/A | 23,444 |
| Surry County Sexual Assault | N/A | 23,444 |
| Yadkin County Sexual Assault | N/A | 23,444 |
| Stokes County Divorce Filing Fees | N/A | 10,959 |
| Surry County Divorce Filing Fees | N/A | 20,387 |
| Yadkin County Divorce Filing Fees | N/A | 20,387 |

**Yadkin Valley Economic Development District, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018**

| <u>Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures (Direct and Pass-Through)</u> |
|--|------------------------------------|---|
| STATE GRANTS (Continued) | | |
| <u>N.C. Department of Public Instruction</u> | | |
| Pass through Stokes Partnership for Children NC Pre-Kindergarten Program | N/A | \$ 102,400 |
| Pass through Surry County Early Childhood Partnership NC Pre-Kindergarten Program | N/A | 173,700 |
| Pass through Yadkin County Schools NC Pre-Kindergarten Program | N/A | <u>200,172</u> |
| Total state awards | | <u>\$ 1,754,636</u> |
| Total awards | | <u>\$ 7,724,127</u> |

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Yadkin Valley Economic Development District, Inc. under the programs of the federal government and the state of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements and Cost Principles, and Audit Requirements for Federal Awards. Because the SEFSA presents only a select portion of the operations of the Yadkin Valley Economic Development District, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of the Yadkin Valley Economic Development District, Inc.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Yadkin Valley Economic Development District, Inc.
Schedule of Findings and Questioned Costs**

3. Federal Award Findings and Questioned Costs

None

**Yadkin Valley Economic Development District, Inc.
Summary Schedule of Prior Year Audit Findings**

Summary Schedule of Prior Year Audit Findings

There were no prior year audit findings.