

YADKIN VALLEY ECONOMIC
DEVELOPMENT DISTRICT, INC.

FINANCIAL STATEMENTS
AND COMPLIANCE REPORT

YEARS ENDED JUNE 30, 2019 AND 2018



YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Table of Contents

	<u>Page No.</u>
Independent Auditor's Report	1
<i>Financial Statements</i>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statement of Functional Expenses - Year Ended June 30, 2019	5
Statement of Functional Expenses - Year Ended June 30, 2018	6
Statements of Cash Flows	7
Notes to Financial Statements	8
<i>Supplementary Information</i>	
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 <i>Government Auditing Standards</i>	16
Independent Auditor's Report on Compliance For Each Major Program; and on Internal Control Over Compliance Required by the Uniform Guidance	18
Schedule of Revenues and Expenditures of Federal and State Awards	20
Notes to the Schedule of Revenues and Expenditures of Federal and State Awards	23
Schedule of Findings and Questioned Costs	24
Summary Schedule of Prior Year Audit Findings and Questioned Costs	25



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Yadkin Valley Economic Development District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency'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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Yadkin Valley Economic Development District, Inc., as of and for the year ended June 30, 2018 were audited by other auditors whose report dated January 15, 2019, expressed an unmodified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of receipts and 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 December 17, 2019, on our consideration of Yadkin Valley Economic Development District, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Bernard Robinson & Company, P.C.

Greensboro, North Carolina
December 17, 2019

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**Statements of Financial Position****June 30, 2019 and 2018**

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 919,256	\$ 689,100
Accounts receivable, net of allowance for doubtful accounts of \$131,782 and \$102,540 as of June 30, 2019 and 2018, respectively	326,843	415,324
Grants receivable	463,494	512,451
Other current assets	50,339	78,209
Total Current Assets	<u>1,759,932</u>	<u>1,695,084</u>
Property, plant and equipment, net	<u>3,019,347</u>	<u>3,557,896</u>
Total Assets	<u>\$ 4,779,279</u>	<u>\$ 5,252,980</u>
	 <u>Liabilities and Net Assets</u> 	
Current Liabilities:		
Accounts payable	\$ 517,640	\$ 825,250
Accrued liabilities	454,193	423,249
Current maturities of capital lease obligations	27,381	36,883
Current maturities of note payable	41,344	39,526
Total Current Liabilities	<u>1,040,558</u>	<u>1,324,908</u>
Capital lease obligations, net of current maturities	216,708	121,299
Note payable, net of current maturities	232,522	273,907
Other long-term liabilities	-	11,772
Total Liabilities	<u>1,489,788</u>	<u>1,731,886</u>
Net Assets:		
Without donor restrictions	719,515	673,293
With donor restrictions	2,569,976	2,847,801
Total Net Assets	<u>3,289,491</u>	<u>3,521,094</u>
Total Liabilities and Net Assets	<u>\$ 4,779,279</u>	<u>\$ 5,252,980</u>

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Statements of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Grants	\$ -	\$ 6,670,504	\$ 6,670,504	\$ -	\$ 7,843,778	\$ 7,843,778
In-kind contributions	-	334,359	334,359	-	340,625	340,625
Donations	131,376	-	131,376	139,798	-	139,798
Program income	4,439,909	-	4,439,909	3,701,779	-	3,701,779
Local government appropriations	-	457,878	457,878	-	416,717	416,717
Interest income	-	603	603	-	1,763	1,763
Gain on sale of property, plant and equipment	18,305	-	18,305	32,805	-	32,805
Unrealized gain on investments	-	-	-	-	3,782	3,782
Net assets released from restrictions:						
Satisfaction of program restrictions	7,741,169	(7,741,169)	-	8,395,581	(8,395,581)	-
Total revenues and support	<u>12,330,759</u>	<u>(277,825)</u>	<u>12,052,934</u>	<u>12,269,963</u>	<u>211,084</u>	<u>12,481,047</u>
Expenses:						
Program expenses	11,433,645	-	11,433,645	11,760,297	-	11,760,297
Management and general	822,560	-	822,560	732,139	-	732,139
Interest expense	28,332	-	28,332	26,434	-	26,434
Total expenses	<u>12,284,537</u>	<u>-</u>	<u>12,284,537</u>	<u>12,518,870</u>	<u>-</u>	<u>12,518,870</u>
Changes in net assets	46,222	(277,825)	(231,603)	(248,907)	211,084	(37,823)
Net assets, beginning	673,293	2,847,801	3,521,094	922,200	2,636,717	3,558,917
Net assets, ending	<u>\$ 719,515</u>	<u>\$ 2,569,976</u>	<u>\$ 3,289,491</u>	<u>\$ 673,293</u>	<u>\$ 2,847,801</u>	<u>\$ 3,521,094</u>

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Statement of Functional Expenses
Year Ended June 30, 2019

	Community Services Block Grant	Head Start	U.S.D.A Nutrition	Older Americans Act	Weatherization	Retired and Senior Volunteer Program	Community Transportation Program	Other Programs	Local Service Programs	General and Administrative	Totals
Personnel:											
Salaries and wages	\$ 115,585	\$ 1,761,356	\$ 21,628	\$ 153,640	\$ 301,439	\$ 18,075	\$ 1,300,714	\$ 333,399	\$ 207,093	\$ 421,716	\$ 4,634,645
Fringe	46,975	618,759	1,667	44,339	110,172	7,437	443,802	83,650	61,250	121,315	1,539,366
Non-personnel:											
Contracted services	-	-	-	8,486	135,778	-	377,765	8,166	19,486	102,760	652,441
Travel - staff and board	18,942	30,118	-	4,321	-	-	14,777	8,400	2,870	2,002	81,430
Travel - participants/maintenance	4,942	95,130	-	212,482	12,901	23,089	1,297,279	-	-	5,578	1,651,401
Facilities	8,984	236,138	-	5,467	8,303	-	69,221	3,502	92,910	29,353	453,878
Supplies	3,445	151,090	-	24,166	410,690	230	26,597	14,618	15,845	14,639	661,320
Insurance	2,369	25,141	-	719	4,347	2,744	115,135	293	5,695	21,644	178,087
Communications	2,885	50,183	-	503	-	-	74,185	26,172	24,449	27,473	205,850
Depreciation	2,583	149,267	-	288	10,948	364	546,511	2,350	57,532	66,757	836,600
Food	-	-	238,220	313,559	-	-	-	11,600	484	-	563,863
Training	-	37,064	-	4,321	22,507	894	3,880	-	-	-	68,666
Other	50,355	490,664	7,003	21,198	21,055	369	17,214	87,332	24,145	9,323	728,658
Total	<u>\$ 257,065</u>	<u>\$ 3,644,910</u>	<u>\$ 268,518</u>	<u>\$ 793,489</u>	<u>\$ 1,038,140</u>	<u>\$ 53,202</u>	<u>\$ 4,287,080</u>	<u>\$ 579,482</u>	<u>\$ 511,759</u>	<u>\$ 822,560</u>	<u>12,256,205</u>
										Interest expense	28,332
											<u>\$ 12,284,537</u>

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Statement of Functional Expenses
Year Ended June 30, 2018

	Community Services Block Grant	Head Start	U.S.D.A Nutrition	Older Americans Act	Weatherization	Retired and Senior Volunteer Program	Community Transportation Program	Other Programs	Local Service Programs	General and Administrative	Totals
Personnel:											
Salaries and wages	\$ 185,144	\$ 1,768,406	\$ 19,914	\$ 131,906	\$ 261,103	\$ 19,767	\$ 1,312,933	\$ 295,539	\$ 203,653	\$ 387,642	\$ 4,586,007
Fringe	73,922	622,213	3,015	41,167	95,034	7,715	479,585	91,153	58,822	113,215	1,585,841
Non-personnel:											
Contracted services	-	-	-	30,934	132,903	-	453,185	1,029	18,940	59,598	696,589
Travel - staff and board	7,986	50,405	-	4,947	-	1,158	11,343	5,174	3,496	2,191	86,700
Travel - participants/maintenance	4,850	114,063	-	193,016	9,897	21,934	1,422,202	-	-	3,016	1,768,978
Facilities	6,874	272,883	-	22,004	10,689	1,350	70,428	8,200	83,372	36,201	512,001
Supplies	2,679	107,102	13	6,029	350,969	459	6,385	7,351	18,220	20,254	519,461
Insurance	2,255	26,967	-	10,799	9,305	895	126,746	1,509	8,410	20,448	207,334
Communications	4,003	65,184	-	1,470	2,922	1,049	82,109	21,076	24,220	7,594	209,627
Depreciation	3,440	95,454	-	288	13,179	364	564,804	3,005	56,236	74,992	811,762
Food	-	27,235	245,632	359,252	-	-	-	3,753	-	-	635,872
Training	-	43,071	-	569	72,653	-	4,198	-	1,520	-	122,011
Other	56,095	268,846	17,012	43,806	26,115	5,109	223,609	89,833	12,840	6,988	750,253
Total	<u>\$ 347,248</u>	<u>\$ 3,461,829</u>	<u>\$ 285,586</u>	<u>\$ 846,187</u>	<u>\$ 984,769</u>	<u>\$ 59,800</u>	<u>\$ 4,757,527</u>	<u>\$ 527,622</u>	<u>\$ 489,729</u>	<u>\$ 732,139</u>	<u>12,492,436</u>
										Interest expense	26,434
											<u>\$ 12,518,870</u>

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**Statements of Cash Flows****Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ (231,603)	\$ (37,823)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	836,600	811,762
Bad debt expense	53,365	12,025
(Gain) loss on sale of property, plant and equipment	4,621	(32,805)
Gain on sale of investments	-	(3,782)
(Increase) decrease in:		
Accounts receivable	35,116	(160,015)
Grants receivables	48,957	75,600
Other current assets	27,870	(11,154)
Increase (decrease) in:		
Accounts payable	(307,610)	229,557
Accrued liabilities	30,944	(69,086)
Other long-term liabilities	-	(23,987)
Net cash provided by operating activities	<u>498,260</u>	<u>790,292</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	27,802
Proceeds from sale of property and equipment	18,305	50,057
Purchase of property, plant and equipment	(94,880)	(1,277,498)
Net cash used in investing activities	<u>(76,575)</u>	<u>(1,199,639)</u>
Cash flows from financing activities:		
Payments on note payable	(51,339)	(99,856)
Proceeds from note payable	-	194,342
Payments on capital lease obligations	(140,190)	(38,801)
Net cash provided by (used in) financing activities	<u>(191,529)</u>	<u>55,685</u>
Increase (decrease) in cash and cash equivalents	230,156	(353,662)
Cash and cash equivalents - beginning	689,100	1,042,762
Cash and cash equivalents - ending	<u>\$ 919,256</u>	<u>\$ 689,100</u>
Supplemental disclosures of cash flow information:		
Cash payments for interest	<u>\$ 28,332</u>	<u>\$ 26,434</u>
Supplemental disclosures of noncash investing and financing activities:		
Property, plant and equipment acquired by capital lease obligation	<u>\$ 226,097</u>	<u>\$ 138,523</u>

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

NOTE 1 - 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

For financial reporting purposes, the Organization classifies its net assets in two separate categories: without donor restrictions and with donor restrictions. Each category is described below:

Without donor restrictions- resources of the Organization that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.

With donor restrictions - includes resources that carry a donor-imposed restriction that permits the Organization to use or expend the donated assets as specified for which the restrictions are satisfied by the passage of time or by actions of the Organization. As those restrictions are met, the contributions are released from net assets with donor restrictions and are transferred to net assets without donor restrictions. Those resources for which the restrictions are met in the same fiscal year they are received are included in net assets without restrictions. It also includes resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Organization to use or expend part or all of the income derived from the donated assets. At year end, the Organization did not have any assets in perpetuity.

Adoption of New Accounting Standard

During the year ended June 30, 2019, the Organization retroactively adopted the requirements in FASB ASC 958 to improve information presented in the financial statements and notes about the entity's liquidity, financial performance and cash flows (overall presentation of certain information). The June 30, 2018 financial statements have been reclassified to show the impact of these adoptions.

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, 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 donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all money market accounts and other accounts that have withdrawal restrictions of less than 90 days to be cash equivalents.

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.

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Indirect Costs

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

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for 2019 and 2018. Any changes in the amount of a tax position will be recognized in the period the change occurs.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through December 17, 2019, which is the date the financial statements were available to be issued.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property and equipment owned at June 30, 2019 and 2018 by the Organization consists of the following:

	<u>2019</u>	<u>2018</u>
Major fixed asset classification:		
Land	\$ 265,223	\$ 265,223
Construction in progress	89,158	398,796
Buildings and improvements	3,760,670	3,297,907
Office and communications equipment	1,438,395	1,325,808
Heavy equipment	54,348	61,849
Vehicles	<u>3,716,458</u>	<u>3,870,542</u>
	9,324,252	9,220,125
Less accumulated depreciation	<u>6,304,905</u>	<u>5,662,229</u>
	<u>\$ 3,019,347</u>	<u>\$ 3,557,896</u>

NOTE 4 - NON-EXPENDABLE PROPERTY

The Organization holds various 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. 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. These fixed assets are included in the statement of financial position as restricted assets.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

NOTE 4 - NON-EXPENDABLE PROPERTY (Continued)

Restricted land, building and leasehold improvements, furniture, equipment, vehicles and construction in progress related to the Head Start Program, net of related accumulated depreciation, amounted to \$888,778. If the Organization discontinues the administration of the Head Start Program or disposes of these assets, then the assets are subject to a Notice of Federal Interest imposed and filed at the time of purchase.

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.

	<u>2019</u>	<u>2018</u>
Book value of restricted property	<u>\$ 7,494,361</u>	\$ 7,044,414
Accumulated depreciation	<u>5,420,086</u>	4,909,015
	<u>\$ 2,074,275</u>	<u>\$ 2,135,399</u>

NOTE 5 - NOTES PAYABLE

Notes payable consists of the following as of June 30,:

	<u>2019</u>	<u>2018</u>
Note payable with Capital Bank requiring monthly payments of \$1,550, including interest at 4.38%, with the final principal and interest payment due in December 2026. The loan is secured by a deed of trust on a building at 7131 NC Highway 801 South, Mocksville, N.C. with a carrying value of \$28,498. No financial covenants exist.	\$ 118,460	\$ 132,550
Note payable with Capital Bank requiring monthly payments of \$1,295, including interest at 4.50%, with the final principal and interest payment due in August 2022. The loan is secured by vehicles with a carrying value of \$41,955. No financial covenants exist.	46,842	58,853
Note payable with Capital Bank requiring monthly payments of \$1,561, including interest at 4.730%, with the final principal and interest payment due in June 2024. The loan is secured by a deed of trust on a building at 533 North Carolina Avenue, Boonville, North Carolina with a carrying value of \$57,714. No financial covenants exist.	<u>108,564</u>	<u>122,030</u>
	<u>273,866</u>	313,433
Less current maturities	<u>41,344</u>	39,526
Total long-term debt	<u>\$ 232,522</u>	<u>\$ 273,907</u>

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

NOTE 5 - NOTES PAYABLE (Continued)

Maturities of long-term debt during the years subsequent to June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 41,344
2021	43,260
2022	45,264
2023	35,237
2024	65,179
Thereafter	43,582
	<u>\$ 273,866</u>

The Organization has a \$450,000 line-of-credit agreement with Capital Bank which matures on May 31, 2022, and is secured by certain property. Interest under this agreement is payable monthly at a variable rate of monthly LIBOR plus 3.38% (5.78% as of June 30, 2019). The line-of-credit is secured by certain real estate and no financial covenants exist. As of June 30, 2019 and 2018, there were no outstanding borrowings on this line-of-credit.

NOTE 6 - 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, 2019 and 2018 was 7.15%. All indirect costs are allocated based on the applicable percentage of allowable direct costs.

NOTE 7 - ASSETS LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Cash and cash equivalents	\$ 919,256
Receivables	<u>790,337</u>
Financial assets, at year end	1,709,593
Less those unavailable for general expenditures within one year due to contractual or donor restrictions:	
Restricted by donor with time or purpose restrictions	463,488
Restricted cash	<u>32,213</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,213,892</u>

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

NOTE 7 - ASSETS LIQUIDITY (Continued)

The Organization is substantially supported by federal and state grants. Because these grants require resources to be used in a particular manner or in future periods, the Organization must maintain sufficient resources to meet those responsibilities to those grants. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event of an unanticipated liquidity need, the Organization also could draw upon their available line of credit.

NOTE 8 - CAPITAL LEASES

The Organization is the lessee of various copying machines and printers under capital leases with monthly payments ranging from \$50 to \$1,555 and maturity dates ranging from 2022 to 2024. 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, 2019 are as follows:

<u>Years Ending June 30,</u>	
2020	\$ 35,149
2021	32,136
2022	32,136
2023	32,136
2024	151,089
Total minimum lease payments	<u>282,646</u>
Less: amount representing interest	<u>38,557</u>
Present value of net minimum obligations	244,089
Less: current obligation under capital lease	<u>27,381</u>
Long-term obligation under capital lease	<u>\$ 216,708</u>

As of June 30, 2019 and 2018, the capitalized cost of assets held under capital lease obligations was \$298,507 and \$226,182, respectively. Additionally, the related accumulated depreciation for those leased assets as of June 30, 2019 and 2018 was \$76,995 and \$40,024, respectively.

NOTE 9 - 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 with monthly rental payments of \$1,725. Total expense related to these leases was \$13,800 for the year ended June 30, 2019.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

NOTE 9 - OPERATING LEASE (Continued)

The minimum annual rent commitment under this non-cancelable operating lease as of June 30, 2019 is as follows:

<u>Year Ending June 30,</u>	
2020	\$ 20,700
2021	20,700
2022	20,700
2023	20,700
2024	10,350
	<u>\$ 93,150</u>

NOTE 10 - 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.

NOTE 11 - PENSION PLAN

The Organization was the sponsor of a Money Purchase Pension Plan ("MPPP") whose assets were held by the Hartford Life Insurance Company. All permanent employees who had attained the age of 18 were eligible for pension plan participation. The plan provided disability, death and retirement benefits to its members. Pension plan participants were entitled to vest after three years of service at which time there was 100% vesting. The Organization made contributions of 5% of each participant's earnings. Employees could have elected to make voluntary contributions of up to 10% of their compensation.

Effective April 1, 2019, the plan changed to a Simplified Employee Pension ("SEP") plan through Woodmen Life. All participant balances were transferred from the MPPP to the SEP during April 2019. The participants are immediately fully vested and can participate post tax. 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 \$219,901 and \$222,086 for the years ended June 30, 2019 and 2018, respectively.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 and 2018 consist of the following:

Subject to grant requirements:	
Head Start land, buildings and equipment	\$ 888,778
Transportation program vehicles and equipment	1,126,952
Community Services Block Grant building and equipment	2,356
Older Americans Act equipment	192
Retired and Senior Volunteer Program equipment	545
Domestic Violence equipment	3,043
Weatherization land, buildings, vehicles and equipment	52,409
Subject to time restrictions:	
Grants receivable	463,488
FRC Reserve	32,213
	<u>\$ 2,569,976</u>

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

The Organizations maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

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 receives approximately 60% of its support from federal, state and local governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

NOTE 14 - SUBSEQUENT EVENTS

The Organization evaluated the effect subsequent events might have on the financial statements dated DATE. The evaluation included a review of the potential impact of the change in North Carolina to Medicaid managed care in 2020. 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.

SUPPLEMENTARY INFORMATION



**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 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. (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
December 17, 2019



**Independent Auditor's Report on Compliance
For The Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

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, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2019. Yadkin Valley Economic Development District, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization'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 the Organization'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 the Organization'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 major federal program for the year ended June 30, 2019.

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 the Organization'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 the 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 the Organization'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.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
December 17, 2019

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Awards	Federal and State Expenditures
Federal Awards:			
U. S. Department of Agriculture:			
Passed Through N.C. Department of Health and Human Services Division of Women's and Children's Health: Child and Adult Care Food Program	10.558	\$ 300,000	\$ 284,381
U. S. Department of Health and Human Services:			
Direct Programs:			
Head Start	93.600	2,591,166	2,591,166
Passed Through East Coast Migrant:			
Head Start	93.600	376,007	376,007
Total Head Start		<u>2,967,173</u>	<u>2,967,173</u>
Passed Through N.C. Governor's Crime Commission:			
Victims of Crime Act - Sexual Assault	16.575	81,937	85,483
Passed Through N.C. Department of Health and Human Services:			
Office of Economical Opportunity Community Service Block Grant	93.569	296,004	261,012
Passed Through N.C. Department of Health and Human Services:			
Family Violence Prevention	93.569	29,952	21,472
Total Community Services Block Grant		<u>325,956</u>	<u>282,484</u>
Passed Through NW Piedmont Triad Regional Council:			
Title III, Parts A & B for Supportive Services & Senior Centers	93.044	75,875	75,875
Title III, Part C Elderly Nutrition	93.045	273,195	273,195
Nutrition Services Incentive Program	93.053	61,417	61,417
		<u>410,487</u>	<u>410,487</u>
Passed Through N.C. Department of Health and Human Services:			
N.C. Department of Environmental Quality:			
Weatherization Assistance for Low Income Persons	93.568	400,318	400,318
Heating and Air Repair and Replacement Program	93.568	171,497	171,497
		<u>571,815</u>	<u>571,815</u>
U.S. Department of Transportation:			
Passed Through N.C. Department of Transportation:			
Division of Public Transportation:			
Urban Mass Transportation Capital and Operating Assistance:			
Formula Grants:			
Administration	20.509	428,708	332,314
Capital	20.509	517,465	172,537
Operating	20.509	91,686	90,069
		<u>1,037,859</u>	<u>594,920</u>

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Awards	Federal and State Expenditures
Federal Awards (Continued):			
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals	20.513	\$ 93,700	\$ 93,153
Corporation for National and Community Service:			
Direct Program:			
Retire Senior Volunteer Program	94.002	44,888	44,888
U.S. Department of Energy:			
Passed Through N.C. Department of Commerce, Energy Division:			
Weatherized Assistance for Low Income Persons	81.042	269,878	183,439
Total Federal Awards		<u>\$ 6,103,693</u>	<u>\$ 5,518,223</u>
State Awards:			
Passed Through N.C. Department of Health and Human Services:			
Division of Aging:			
Passed Through NW Piedmont:			
Triad Regional Council:			
General Purpose Senior Centers YV	N/A	\$ 10,692	\$ 10,692
General Purpose Senior Centers YC	N/A	10,692	10,692
General Purpose Senior Centers EC	N/A	10,692	10,692
General Purpose Senior Centers SCSC	N/A	7,129	7,129
General Purpose Senior Centers PM	N/A	3,563	3,563
Title III, Parts A & B for Supportive Services & Senior Centers	N/A	61,858	61,858
Title III, Part C Elderly Nutrition	N/A	132,106	132,106
N.C. Department of Transportation:			
Public Transportation Division:			
Formula Grants:			
Administration	N/A	26,794	20,766
Capital	N/A	64,681	20,531
Elderly and Disabled	N/A	263,809	263,809
Rural General Public	N/A	336,454	336,454
5310 - Enhanced Mobility of Seniors and Individuals	N/A	7,748	5,870
N.C. Department of Administration:			
NC Council on the Status of Women:			
Stokes County Domestic Violence Program and Marriage License Fee Funds	N/A	66,292	65,705
Surry County Domestic Violence Program and Marriage License Fee Funds	N/A	66,292	65,705
Yadkin County Domestic Violence Program and Marriage License Fee Funds	N/A	66,292	65,173
Stokes County Sexual Assault	N/A	23,268	23,268
Surry County Sexual Assault	N/A	23,268	23,268
Yadkin County Sexual Assault	N/A	23,268	23,268

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Awards	Federal and State Expenditures
State Awards (Continued):			
NC Council on the Status of Women (Continued):			
Stokes County Divorce Filing Fees	N/A	\$ 20,000	\$ 19,540
Surry County Divorce Filing Fees	N/A	20,000	19,540
Yadkin County Divorce Filing Fees	N/A	20,000	20,072
N.C. Department of Public Instruction:			
Passed Through Davie County Schools:			
NC Pre-Kindergarten Program	N/A	44,338	44,338
Passed Through Stokes Partnership for Children:			
NC Pre-Kindergarten Program	N/A	173,308	173,308
Passed Through Surry County Early Childhood Partnership:			
NC Pre-Kindergarten Program	N/A	170,700	170,700
Passed Through Yadkin County Schools:			
NC Pre-Kindergarten Program	N/A	119,865	119,865
Total State Awards		<u>1,773,109</u>	<u>1,717,912</u>
Total Revenues and Expenditures of Federal and State Awards		<u>\$ 7,876,802</u>	<u>\$ 7,236,135</u>

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Notes to the Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of revenues and expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of Yadkin Valley Economic Development District, Inc. under programs of the federal and state government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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 Yadkin Valley Economic Development District, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures reported on the Schedule are reported on the accrual basis of accounting. Such revenues and expenditures are recognized following the cost principles contained in Uniform Guidance and OMB Circular A-122 *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Yadkin Valley Economic Development District, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

- (i) Type of auditor's report issued: Unmodified
- (ii) Internal control over financial reporting:
- (a) Material weakness(es) identified? yes no
- (b) Significant deficiency(ies)? yes none reported
- (iii) Noncompliance material to financial statements noted? yes no

Federal Awards

- (i) Internal control over major programs:
- (a) Material weakness(es) identified yes no
- (b) Significant deficiency(ies) identified? yes none reported
- (ii) Type of auditor's report issued on compliance for major programs: Unmodified
- (iii) Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? yes no
- (iv) Identification of major programs:
- | <u>CFDA Number(s)</u> | <u>Name of Federal Program</u> |
|-----------------------|--------------------------------|
| 93.600 | Head Start |
| 20.509 | Formula Grants for Rural Areas |
- (v) Dollar threshold used to distinguish between type A and type B programs: \$750,000
- (vi) Auditee qualified as low-risk auditee? yes no

Section II - Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards:

A. Deficiencies in Internal Control

None reported

B. Compliance Findings

None reported

Section III - Findings and questioned costs relating to the major programs which are required to be reported in accordance with section 510(a) of the Uniform Guidance:

Findings and Questioned Costs

None reported

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Summary Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2019

None