

YADKIN VALLEY ECONOMIC
DEVELOPMENT DISTRICT, INC.

FINANCIAL STATEMENTS
AND COMPLIANCE REPORT

YEARS ENDED JUNE 30, 2021 AND 2020

Preliminary
Draft

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

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YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**Statements of Financial Position****June 30, 2021 and 2020**

| | <u>Assets</u> | |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Current Assets: | | |
| Cash and cash equivalents | \$ 2,536,244 | \$ 1,539,800 |
| Accounts receivable, net of allowance for doubtful accounts of \$179,490 and \$169,510 as of June 30, 2021 and 2020, respectively | 154,030 | 285,929 |
| Grants receivable | 856,764 | 518,349 |
| Other current assets | 210,370 | 73,060 |
| Total Current Assets | <u>3,757,408</u> | <u>2,417,138</u> |
| Property, plant and equipment, net | 2,252,029 | 2,385,439 |
| Total Assets | <u>\$ 6,009,437</u> | <u>\$ 4,802,577</u> |
| | <u>Liabilities and Net Assets</u> | |
| Current Liabilities: | | |
| Accounts payable | \$ 412,663 | \$ 301,496 |
| Accrued liabilities | 358,128 | 407,912 |
| Deferred revenue | 10,921 | 123,419 |
| Current maturities of capital lease obligations | 26,767 | 25,180 |
| Current maturities of note payable | 45,265 | 43,260 |
| Total Current Liabilities | <u>853,744</u> | <u>901,267</u> |
| Capital lease obligations, net of current maturities | 210,283 | 211,995 |
| Note payable, net of current maturities | 143,246 | 188,379 |
| Total Liabilities | <u>1,207,273</u> | <u>1,301,641</u> |
| Net Assets: | | |
| Without donor restrictions | 2,544,146 | 1,372,498 |
| With donor restrictions | 2,258,018 | 2,128,438 |
| Total Net Assets | <u>4,802,164</u> | <u>3,500,936</u> |
| Total Liabilities and Net Assets | <u>\$ 6,009,437</u> | <u>\$ 4,802,577</u> |

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2021 and 2020

| | 2021 | | | 2020 | | |
|------------------------------------------------------|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and Support: | | | | | | |
| Grants | \$ - | \$ 9,213,777 | \$ 9,213,777 | \$ - | \$ 6,750,488 | \$ 6,750,488 |
| In-kind contributions | - | 365,171 | 365,171 | - | 568,330 | 568,330 |
| Donations | 145,364 | - | 145,364 | 150,353 | - | 150,353 |
| Program income | 1,973,943 | - | 1,973,943 | 4,168,900 | - | 4,168,900 |
| Local government appropriations | - | 452,644 | 452,644 | - | 437,948 | 437,948 |
| Interest income | - | 2,171 | 2,171 | - | 1,704 | 1,704 |
| Gain (loss) on sale of property, plant and equipment | - | - | - | (43,241) | - | (43,241) |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of program restrictions | 9,904,183 | (9,904,183) | - | 8,200,008 | (8,200,008) | - |
| Total revenues and support | <u>12,023,489</u> | <u>129,580</u> | <u>12,153,069</u> | <u>12,476,020</u> | <u>(441,538)</u> | <u>12,034,482</u> |
| Expenses: | | | | | | |
| Program expenses | 9,987,761 | - | 9,987,761 | 11,046,016 | - | 11,046,016 |
| Management and general | 854,336 | - | 854,336 | 764,118 | - | 764,118 |
| Interest expense | 9,744 | - | 9,744 | 12,903 | - | 12,903 |
| Total expenses | <u>10,851,841</u> | <u>-</u> | <u>10,851,841</u> | <u>11,823,037</u> | <u>-</u> | <u>11,823,037</u> |
| Changes in net assets | 1,171,648 | 129,580 | 1,301,228 | 652,983 | (441,538) | 211,445 |
| Net assets, beginning | 1,372,498 | 2,128,438 | 3,500,936 | 719,515 | 2,569,976 | 3,289,491 |
| Net assets, ending | <u>\$ 2,544,146</u> | <u>\$ 2,258,018</u> | <u>\$ 4,802,164</u> | <u>\$ 1,372,498</u> | <u>\$ 2,128,438</u> | <u>\$ 3,500,936</u> |

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Statement of Functional Expenses
Year Ended June 30, 2021

| | 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 | \$ 116,878 | \$ 1,769,579 | \$ 18,844 | \$ 151,782 | \$ 213,804 | \$ 17,459 | \$ 1,106,422 | \$ 223,262 | \$ 183,939 | \$ 462,726 | \$ 4,264,695 |
| Fringe | 41,206 | 639,251 | 2,635 | 39,250 | 89,145 | 4,874 | 348,503 | 63,899 | 43,154 | 108,356 | 1,380,273 |
| Non-personnel: | | | | | | | | | | | |
| Contracted services | 15,338 | - | - | 4,645 | 140,693 | - | 239,489 | 13,346 | 10,897 | 111,276 | 535,684 |
| Travel - staff and board | 11,102 | 43,273 | - | 5,362 | - | - | 9,533 | 2,336 | 8,632 | 6,413 | 86,651 |
| Travel - participants/maintenance | 64,590 | 96,524 | - | 167,988 | 11,560 | 516 | 1,076,283 | 13,419 | - | - | 1,430,880 |
| Facilities | 8,158 | 174,966 | - | 435 | 10,449 | 1,696 | 84,234 | 12,060 | 72,069 | 45,303 | 409,370 |
| Supplies | 6,174 | 107,796 | - | 18,891 | 352,986 | 269 | 1,826 | 10,993 | 14,943 | 12,107 | 525,985 |
| Insurance | 1,701 | 35,322 | - | 7,791 | 6,823 | 1,708 | 110,104 | 1,205 | 6,353 | 15,532 | 186,539 |
| Communications | 2,652 | 59,325 | - | 1,937 | 4,033 | 462 | 59,856 | 10,566 | 22,448 | 22,720 | 183,999 |
| Depreciation | 1,588 | 96,561 | - | 162 | 7,582 | 308 | 393,743 | 1,619 | 27,002 | 68,750 | 597,315 |
| Food | - | 669 | 173,487 | 324,948 | - | - | - | - | - | - | 499,104 |
| Training | - | 1,185 | - | 152 | 75,459 | - | 3,850 | - | - | 104 | 80,750 |
| Other | 42,327 | 427,482 | 2,508 | 14,485 | 16,610 | 5,545 | 8,322 | 63,537 | 78,987 | 1,049 | 660,852 |
| Total | <u>\$ 311,714</u> | <u>\$ 3,451,933</u> | <u>\$ 197,474</u> | <u>\$ 737,828</u> | <u>\$ 929,144</u> | <u>\$ 32,837</u> | <u>\$ 3,442,165</u> | <u>\$ 416,242</u> | <u>\$ 468,424</u> | <u>\$ 854,336</u> | <u>10,842,097</u> |
| | | | | | | | | | | Interest expense | 9,744 |
| | | | | | | | | | | | <u>\$ 10,851,841</u> |

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Statement of Functional Expenses
Year Ended June 30, 2021

| | 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 | \$ 126,557 | \$ 1,916,127 | \$ 20,405 | \$ 164,352 | \$ 231,510 | \$ 18,905 | \$ 1,258,403 | \$ 241,752 | \$ 199,172 | \$ 440,691 | \$ 4,617,874 |
| Fringe | 47,218 | 732,516 | 3,019 | 44,977 | 102,151 | 5,585 | 399,349 | 73,222 | 49,450 | 124,164 | 1,581,651 |
| Non-personnel: | | | | | | | | | | | |
| Contracted services | 13,973 | - | - | 4,232 | 128,170 | - | 218,172 | 12,158 | 9,927 | 51,279 | 437,911 |
| Travel - staff and board | 8,820 | 34,379 | - | 4,260 | - | - | 7,574 | 1,856 | 6,858 | 5,082 | 68,829 |
| Travel - participants/maintenance | 66,532 | 99,426 | - | 173,038 | 11,907 | 531 | 1,182,362 | 13,822 | - | - | 1,547,618 |
| Facilities | 8,659 | 185,706 | - | 462 | 11,090 | 1,800 | 89,404 | 12,800 | 76,493 | 19,277 | 405,691 |
| Supplies | 7,105 | 124,052 | - | 21,740 | 406,217 | 309 | 2,101 | 12,651 | 17,196 | 13,820 | 605,191 |
| Insurance | 2,271 | 47,153 | - | 10,401 | 9,108 | 2,280 | 146,984 | 1,609 | 8,481 | 20,687 | 248,974 |
| Communications | 3,052 | 68,265 | - | 2,229 | 4,641 | 532 | 68,876 | 12,158 | 25,831 | 2,105 | 187,689 |
| Depreciation | 1,878 | 114,163 | - | 192 | 8,964 | 364 | 465,520 | 1,914 | 31,924 | 81,151 | 706,070 |
| Food | - | 683 | 176,992 | 331,418 | - | - | - | - | - | - | 509,093 |
| Training | - | 1,281 | - | 164 | 81,598 | - | 4,163 | - | - | 99 | 87,305 |
| Other | 49,705 | 527,661 | 2,945 | 17,010 | 19,505 | 6,512 | 9,772 | 74,611 | 92,754 | 5,763 | 806,238 |
| Total | <u>\$ 335,770</u> | <u>\$ 3,851,412</u> | <u>\$ 203,361</u> | <u>\$ 774,475</u> | <u>\$ 1,014,861</u> | <u>\$ 36,818</u> | <u>\$ 3,852,680</u> | <u>\$ 458,553</u> | <u>\$ 518,086</u> | <u>\$ 764,118</u> | <u>11,810,134</u> |
| | | | | | | | | | | Interest expense | 12,903 |
| | | | | | | | | | | | <u>\$ 11,823,037</u> |

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**Statements of Cash Flows****Years Ended June 30, 2021 and 2020**

| | <u>2021</u> | <u>2020</u> |
|----------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 1,301,228 | \$ 211,445 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 597,315 | 706,070 |
| Bad debt expense | 53,365 | 53,365 |
| Loss on sale of property, plant and equipment | - | 43,241 |
| (Increase) decrease in: | | |
| Accounts receivable | 78,534 | (12,451) |
| Grants receivables | (338,415) | (54,855) |
| Other current assets | (137,310) | (22,721) |
| Increase (decrease) in: | | |
| Accounts payable | 111,167 | (216,144) |
| Accrued liabilities | (49,784) | (46,281) |
| Deferred revenue | (112,498) | 123,419 |
| Net cash provided by operating activities | <u>1,503,602</u> | <u>785,088</u> |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (455,841) | (115,403) |
| Net cash used in investing activities | <u>(455,841)</u> | <u>(115,403)</u> |
| Cash flows from financing activities: | | |
| Payments on note payable | (43,128) | (42,227) |
| Payments on capital lease obligations | (8,189) | (6,914) |
| Net cash used in financing activities | <u>(51,317)</u> | <u>(49,141)</u> |
| Increase in cash and cash equivalents | 996,444 | 620,544 |
| Cash and cash equivalents - beginning | 1,539,800 | 919,256 |
| Cash and cash equivalents - ending | <u>\$ 2,536,244</u> | <u>\$ 1,539,800</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash payments for interest | <u>\$ 9,744</u> | <u>\$ 12,903</u> |
| Supplemental disclosures of noncash investing and financing activities: | | |
| Property, plant and equipment acquired by capital lease obligation | <u>\$ 8,064</u> | <u>\$ -</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.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2021 and 2020. 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 DATE, 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, 2021 and 2020 by the Organization consists of the following:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|---------------------|---------------------|
| Major fixed asset classification: | | |
| Land | \$ 265,223 | \$ 265,223 |
| Construction in progress | - | 10 |
| Buildings and improvements | 3,873,989 | 3,626,656 |
| Office and communications equipment | 1,624,226 | 1,524,355 |
| Heavy equipment | 124,492 | 118,398 |
| Vehicles | <u>3,739,656</u> | <u>3,716,459</u> |
| | 9,627,586 | 9,251,101 |
| Less accumulated depreciation | <u>7,375,557</u> | <u>6,865,662</u> |
| | <u>\$ 2,252,029</u> | <u>\$ 2,385,439</u> |

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

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.

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 \$934,026. 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>2021</u> | <u>2020</u> |
|-----------------------------------|---------------------|---------------------|
| Book value of restricted property | \$ 7,748,421 | \$ 7,578,733 |
| Accumulated depreciation | <u>6,394,232</u> | <u>6,000,354</u> |
| | <u>\$ 1,354,189</u> | <u>\$ 1,578,379</u> |

NOTE 5 - NOTES PAYABLE

Notes payable consists of the following as of June 30:

| | <u>2021</u> | <u>2020</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, NC with a carrying value of \$11,495. No financial covenants exist. | \$ 90,623 | \$ 103,611 |
| 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 \$13,985. No financial covenants exist. | 17,617 | 33,239 |
| 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, NC with a carrying value of \$40,149. No financial covenants exist. | <u>80,271</u> | <u>94,789</u> |
| | 188,511 | 231,639 |
| Less current maturities | <u>45,265</u> | <u>43,260</u> |
| Total long-term debt | <u>\$ 143,246</u> | <u>\$ 188,379</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, 2021 are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-------------------|
| 2022 | \$ 45,265 |
| 2023 | 34,171 |
| 2024 | 75,679 |
| 2025 | 17,042 |
| 2026 | 16,354 |
| | <u>\$ 188,511</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% (3.48% as of June 30, 2021). The line-of-credit is secured by certain real estate and no financial covenants exist. As of June 30, 2021 and 2020, 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, 2021 and 2020 was 7.70% and 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 | \$ 2,536,244 |
| Receivables | <u>1,010,794</u> |
| Financial assets, at year end | 3,547,038 |
| Less those unavailable for general expenditures within one year due to contractual or donor restrictions: | |
| Restricted by donor with time or purpose restrictions | 856,764 |
| Restricted cash | <u>49,811</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,640,463</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 could also 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 2025. 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, 2021 are as follows:

| <u>Years Ending June 30,</u> | |
|----------------------------------------------|--------------------------|
| 2022 | \$ 32,892 |
| 2023 | 32,892 |
| 2024 | 172,312 |
| 2025 | 756 |
| Total minimum lease payments | <u>238,852</u> |
| Less: amount representing interest | <u>1,802</u> |
| Present value of net minimum obligations | 237,050 |
| Less: current obligation under capital lease | <u>26,767</u> |
| Long-term obligation under capital lease | <u><u>\$ 210,283</u></u> |

As of June 30, 2021 and 2020, the capitalized cost of assets held under capital lease obligations was \$306,571 and \$298,507, respectively. Additionally, the related accumulated depreciation for those leased assets as of June 30, 2021 and 2020 was \$198,011 and \$136,397, 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 \$20,700 for the year ended June 30, 2021.

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, 2021 is as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|------------------|
| 2022 | \$ 20,700 |
| 2023 | 20,700 |
| 2024 | 10,350 |
| | <u>\$ 51,750</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 \$228,506 and \$206,618 for the years ended June 30, 2021 and 2020, 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, 2020 consist of the following:

| | |
|--------------------------------------------------------|---------------------|
| Subject to grant requirements: | |
| Head Start land, buildings and equipment | \$ 934,021 |
| Transportation program vehicles and equipment | 348,029 |
| Community Services Block Grant building and equipment | 2,996 |
| Domestic Violence equipment | 9,777 |
| Weatherization land, buildings, vehicles and equipment | 56,620 |
| Subject to time restrictions: | |
| Grants receivable | 856,764 |
| FRC Reserve | 49,811 |
| | <u>\$ 2,258,018</u> |

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

The Organization 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 79% 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.

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2021

| 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 | \$ 30,615 |
| U. S. Department of Health and Human Services: | | | |
| Direct Programs: | | | |
| Head Start | 93.600 | 2,790,809 | 2,790,809 |
| Head Start CARES funds | 93.600 | 338,341 | 263,263 |
| Passed Through East Coast Migrant: | | | |
| Head Start | 93.600 | 420,809 | 383,446 |
| Head Start CARES funds | 93.600 | 11,310 | 7,453 |
| Total Head Start | | <u>3,561,269</u> | <u>3,444,971</u> |
| Passed Through N.C. Governor's Crime Commission: | | | |
| Victims of Crime Act - Sexual Assault | 16.575 | 235,157 | 87,994 |
| Passed Through N.C. Department of Health and Human Services: | | | |
| Office of Economical Opportunity Community Service Block Grant | 93.569 | 406,143 | 322,628 |
| Community Service Block Grant CARES Funds | 93.569 | 449,995 | 182,351 |
| Passed Through N.C. Department of Health and Human Services: | | | |
| Family Violence Prevention | 93.569 | 36,000 | 26,700 |
| Total Community Services Block Grant | | <u>442,143</u> | <u>349,328</u> |
| Passed Through NW Piedmont Triad Regional Council: | | | |
| Title III, Parts A & B for Supportive Services & Senior Centers | 93.044 | 61,393 | 51,890 |
| Title III, Part C Elderly Nutrition | 93.045 | 327,558 | 313,508 |
| Nutrition Services Incentive Program | 93.053 | 56,207 | 56,207 |
| | | <u>445,158</u> | <u>421,605</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 | 369,170 | 369,170 |
| Heating and Air Repair and Replacement Program | 93.568 | 204,292 | 204,292 |
| | | <u>573,462</u> | <u>573,462</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 | 724,041 | 73,760 |
| Capital | 20.509 | 395,914 | - |
| Operating | 20.509 | 171,335 | 13,730 |
| CARES Funds | 20.509 | 2,139,888 | 2,139,888 |
| | | <u>3,431,178</u> | <u>2,227,378</u> |

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2021

| Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Awards | Federal and State Expenditures |
|---------------------------------------------------------------------------|---------------------------|---------------------|--------------------------------------|
| Federal Awards (Continued): | | | |
| Transit Services Programs Cluster: | | | |
| New Freedom Program | 20.521 | \$ 48,583 | \$ 253 |
| Corporation for National and Community Service: | | | |
| Direct Program: | | | |
| Retire Senior Volunteer Program | 94.002 | 55,270 | 51,501 |
| U.S. Department of Energy: | | | |
| Passed Through N.C. Department of Commerce, Energy Division: | | | |
| Weatherized Assistance for Low Income Persons | 81.042 | 608,618 | 278,999 |
| Total Federal Awards | | <u>\$ 9,700,838</u> | <u>\$ 7,466,106</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 | \$ 31,810 | \$ 3,180 |
| General Purpose Senior Centers SCSC | N/A | 14,020 | 14,020 |
| Title III, Parts A & B for Supportive Services & Senior Centers | N/A | 78,841 | 62,590 |
| Title III, Part C Elderly Nutrition | N/A | 164,232 | 111,635 |
| N.C. Department of Transportation: | | | |
| Public Transportation Division: | | | |
| Formula Grants: | | | |
| Administration | N/A | 44,259 | 44,259 |
| Capital | N/A | 43,990 | - |
| N.C. Department of Administration: | | | |
| NC Council on the Status of Women: | | | |
| Stokes County Domestic Violence Program and Marriage License Fee Funds | N/A | 63,356 | 58,402 |
| Surry County Domestic Violence Program and Marriage License Fee Funds | N/A | 63,356 | 62,170 |
| Yadkin County Domestic Violence Program and Marriage License Fee Funds | N/A | 63,356 | 63,356 |
| Stokes County Sexual Assault | N/A | 24,175 | 2,417 |
| Surry County Sexual Assault | N/A | 24,175 | 24,175 |
| Yadkin County Sexual Assault | N/A | 24,175 | 2,615 |

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2021

| 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 | \$ 19,000 | \$ 12,050 |
| Surry County Divorce Filing Fees | N/A | 19,000 | 15,773 |
| Yadkin County Divorce Filing Fees | N/A | 19,000 | 15,234 |
| N.C. Department of Public Instruction: | | | |
| Passed Through Various Counties and Not-for-Profits: | | | |
| NC Pre-Kindergarten Program | N/A | <u>525,000</u> | <u>272,982</u> |
| Total State Awards | | <u>1,221,745</u> | <u>764,858</u> |
| Total Revenues and Expenditures of Federal and State Awards | | <u>\$ 10,922,583</u> | <u>\$ 8,230,964</u> |

Preliminary
Draft

YADKIN VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.
Notes to the Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2021

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, 2021. 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, 2021

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 X no
- (b) Significant deficiency(ies)? yes X none reported
- (iii) Noncompliance material to financial statements noted? yes X no

Federal Awards

- (i) Internal control over major programs:
- (a) Material weakness(es) identified yes X no
- (b) Significant deficiency(ies) identified? yes X 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 X 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 |
| | NC Pre-Kindergarten Grant |
| | Title III, Part C Elderly Nutrition |

- (v) Dollar threshold used to distinguish between type A and type B programs: \$750,000
- (vi) Auditee qualified as low-risk auditee? X 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, 2021

None

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