

**Pender Adult Services, Inc.**

***Financial Statements***

*For the Year Ended June 30, 2016  
(with Comparative Totals for 2015)*



*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Pender Adult Services, Inc.

We have audited the accompanying financial statements of Pender Adult Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, 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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pender Adult Services, Inc. as of June 30, 2016, 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.

## **Report on Summarized Comparative Information**

We have previously audited Pender Adult Services, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Ewing & Company, L.L.P.*

Wilmington, North Carolina  
November 7, 2016

**Pender Adult Services, Inc.**  
**Statement of Financial Position**  
**As of June 30, 2016**

	2016			Total	2015 Comparative Total
	Unrestricted		Temporarily Restricted		
	Operating	Property			
<b>ASSETS</b>					
Current Assets					
Cash	\$ 1,023,961	\$ 35,841	\$ -	\$ 1,059,802	\$ 1,024,716
Grant & contract receivables	117,069	-	-	117,069	231,245
Patient receivables, net	213,184	-	-	213,184	237,982
Total Current Assets	<u>1,354,214</u>	<u>35,841</u>	<u>-</u>	<u>1,390,055</u>	<u>1,493,943</u>
Property in Service					
Land	-	144,592	-	144,592	144,592
Building	-	3,427,110	-	3,427,110	3,427,110
Improvements	-	25,356	-	25,356	16,006
Equipment	-	382,557	-	382,557	380,225
Vehicles	-	578,467	-	578,467	524,383
Total Property in Service	<u>-</u>	<u>4,558,082</u>	<u>-</u>	<u>4,558,082</u>	<u>4,492,316</u>
Less: Accumulated depreciation	<u>-</u>	<u>(1,958,489)</u>	<u>-</u>	<u>(1,958,489)</u>	<u>(1,917,950)</u>
Net Property	<u>-</u>	<u>2,599,593</u>	<u>-</u>	<u>2,599,593</u>	<u>2,574,366</u>
Total Assets	<u>\$ 1,354,214</u>	<u>\$ 2,635,434</u>	<u>\$ -</u>	<u>\$ 3,989,648</u>	<u>\$ 4,068,309</u>
<b>LIABILITIES &amp; NET ASSETS</b>					
Current Liabilities					
Accounts payable	\$ 87,056	\$ -	\$ -	\$ 87,056	\$ 109,948
Accrued liabilities	195,671	-	-	195,671	199,254
Unearned revenue	8,343	-	-	8,343	9,537
Current portion of notes payable	-	32,708	-	32,708	31,314
Total Current Liabilities	<u>291,070</u>	<u>32,708</u>	<u>-</u>	<u>323,778</u>	<u>350,053</u>
Notes payable (Note 3)	<u>-</u>	<u>434,861</u>	<u>-</u>	<u>434,861</u>	<u>467,702</u>
Total Liabilities	<u>291,070</u>	<u>467,569</u>	<u>-</u>	<u>758,639</u>	<u>817,755</u>
Net Assets					
Unrestricted	1,063,144	2,167,865	-	3,231,009	3,151,344
Temporarily restricted	-	-	-	-	99,210
Total Net Assets	<u>1,063,144</u>	<u>2,167,865</u>	<u>-</u>	<u>3,231,009</u>	<u>3,250,554</u>
Total Liabilities & Net Assets	<u>\$ 1,354,214</u>	<u>\$ 2,635,434</u>	<u>\$ -</u>	<u>\$ 3,989,648</u>	<u>\$ 4,068,309</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**Pender Adult Services, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

	2016			Total	2015 Comparative Total
	Unrestricted		Temporarily Restricted		
	Operating	Property			
<b>PUBLIC SUPPORT</b>					
Contributions	\$ -	\$ -	\$ 32,701	\$ 32,701	\$ 20,652
United Way	-	-	5,298	5,298	5,823
Government grants	-	-	641,238	641,238	647,192
Council of Governments	-	-	512,620	512,620	500,467
Special events, net	56,201	-	-	56,201	36,106
Net assets released from restriction	<u>1,079,531</u>	<u>211,536</u>	<u>(1,291,067)</u>	<u>-</u>	<u>-</u>
Total Public Support	<u>1,135,732</u>	<u>211,536</u>	<u>(99,210)</u>	<u>1,248,058</u>	<u>1,210,240</u>
<b>REVENUE</b>					
Patient fees	1,416,310	-	-	1,416,310	1,545,605
Program service fees	390,259	-	-	390,259	373,887
Interest income	1,691	-	-	1,691	189
Other revenue	<u>16,320</u>	<u>17,491</u>	<u>-</u>	<u>33,811</u>	<u>19,497</u>
Total Revenue	<u>1,824,580</u>	<u>17,491</u>	<u>-</u>	<u>1,842,071</u>	<u>1,939,178</u>
Total Public Support & Revenue	<u>2,960,312</u>	<u>229,027</u>	<u>(99,210)</u>	<u>3,090,129</u>	<u>3,149,418</u>
<b>EXPENSES</b>					
Program	2,596,062	210,878	-	2,806,940	2,927,202
Administrative	208,947	24,089	-	233,036	195,302
Fundraising	<u>65,361</u>	<u>4,337</u>	<u>-</u>	<u>69,698</u>	<u>49,979</u>
Total Expenses	<u>2,870,370</u>	<u>239,304</u>	<u>-</u>	<u>3,109,674</u>	<u>3,172,483</u>
<b>Change in Net Assets</b>	<u>89,942</u>	<u>(10,277)</u>	<u>(99,210)</u>	<u>(19,545)</u>	<u>(23,065)</u>
<b>Net Assets, Beginning</b>	986,314	2,165,030	99,210	3,250,554	3,273,619
Transfer	<u>(13,112)</u>	<u>13,112</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets, Ending</b>	<u>\$ 1,063,144</u>	<u>\$ 2,167,865</u>	<u>\$ -</u>	<u>\$ 3,231,009</u>	<u>\$ 3,250,554</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**Pender Adult Services, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2016**

	2016			Total	2015 Comparative Total
	Program	Administrative	Fundraising		
Salaries	\$ 1,384,051	\$ 141,551	\$ 47,184	\$ 1,572,786	\$ 1,611,598
Benefits	208,243	21,298	7,099	236,640	226,524
Payroll taxes	106,645	10,906	3,636	121,187	126,401
Total Payroll Expenses	<u>1,698,939</u>	<u>173,755</u>	<u>57,919</u>	<u>1,930,613</u>	<u>1,964,523</u>
Professional fees	15,898	3,974	-	19,872	30,984
Supplies	168,067	14,939	3,735	186,741	182,110
Telephone	10,344	1,058	353	11,755	12,034
Postage	4,565	466	156	5,187	7,461
Occupancy	49,349	4,386	1,097	54,832	54,276
Repair & maintenance	24,900	2,214	553	27,667	31,140
Printing	7,777	795	265	8,837	7,705
Travel	13,193	-	-	13,193	17,294
Conferences	11,570	-	-	11,570	19,711
Insurance	57,726	5,131	1,283	64,140	39,353
Miscellaneous	20,057	2,229	-	22,286	18,716
Advertising	14,279	-	-	14,279	19,911
Contract services	41,272	-	-	41,272	38,421
Dues & subscriptions	25,299	-	-	25,299	16,561
Food	74,171	-	-	74,171	76,761
Transportation	358,656	-	-	358,656	411,062
Total Operating Expenses	<u>2,596,062</u>	<u>208,947</u>	<u>65,361</u>	<u>2,870,370</u>	<u>2,948,023</u>
Interest	15,735	6,743	-	22,478	24,119
Depreciation	195,143	17,346	4,337	216,826	200,341
Total Expenses	<u>\$ 2,806,940</u>	<u>\$ 233,036</u>	<u>\$ 69,698</u>	<u>\$ 3,109,674</u>	<u>\$ 3,172,483</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**Pender Adult Services, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2016**

	2016			Total	2015 Comparative Total
	Unrestricted		Temporarily Restricted		
	Operating	Property			
<b>Cash Flows From Operating Activities</b>					
Cash Collections for:					
Support	\$ 944,824	\$ 189,058	\$ -	\$ 1,133,882	\$ 1,035,141
Revenue	1,799,046	17,491	-	1,816,537	2,046,624
Interest	1,691	-	-	1,691	189
Cash Payments for:					
Staff compensation	(1,934,196)	-	-	(1,934,196)	(1,961,755)
Other expenses	(709,328)	-	-	(709,328)	(1,024,748)
Net Cash Provided (Used)					
By Operating Activities	<u>102,037</u>	<u>206,549</u>	<u>-</u>	<u>308,586</u>	<u>95,451</u>
<b>Cash Flows From Investing Activities</b>					
Acquisition of property & equipment	-	(250,012)	-	(250,012)	(45,884)
Disposal of property & equipment	-	7,959	-	7,959	-
Net Cash Provided (Used)					
By Investing Activities	<u>-</u>	<u>(242,053)</u>	<u>-</u>	<u>(242,053)</u>	<u>(45,884)</u>
<b>Cash Flows From Financing Activities</b>					
Transfers	(13,112)	13,112	-	-	-
Principal payments	-	(31,447)	-	(31,447)	(30,106)
Net Cash Provided (Used)					
By Financing Activities	<u>(13,112)</u>	<u>(18,335)</u>	<u>-</u>	<u>(31,447)</u>	<u>(30,106)</u>
<b>Net Increase (Decrease) in Cash</b>	<b>88,925</b>	<b>(53,839)</b>	<b>-</b>	<b>35,086</b>	<b>19,461</b>
<b>Cash &amp; Cash Equivalents, Beginning</b>	<b>935,036</b>	<b>89,680</b>	<b>-</b>	<b>1,024,716</b>	<b>1,005,255</b>
<b>Cash &amp; Cash Equivalents, Ending</b>	<b><u>\$ 1,023,961</u></b>	<b><u>\$ 35,841</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,059,802</u></b>	<b><u>\$ 1,024,716</u></b>
<b>Reconciliation of Change in Net Assets to Net Cash Provided (Used)</b>					
<b>By Operating Activities:</b>					
Change in net assets	\$ 89,942	\$ (10,277)	\$ (99,210)	\$ (19,545)	\$ (23,065)
Depreciation	-	216,826	-	216,826	200,341
Grants receivable (increase) decrease	114,176	-	-	114,176	(28,096)
Receivables (increase) decrease	(75,367)	-	99,210	23,843	(60,525)
Prepaid expense (increase) decrease	955	-	-	955	95
Unearned revenue increase (decrease)	(1,194)	-	-	(1,194)	173
Accounts payable increase (decrease)	(26,475)	-	-	(26,475)	6,528
Net Cash Provided (Used)					
By Operating Activities	<u>\$ 102,037</u>	<u>\$ 206,549</u>	<u>\$ -</u>	<u>\$ 308,586</u>	<u>\$ 95,451</u>
<b>Supplemental Disclosure</b>					
Interest paid				<u>\$ 22,478</u>	<u>\$ 24,119</u>
Income tax paid				<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**Pender Adult Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

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**1. DESCRIPTION OF ORGANIZATION**

Pender Adult Services, Inc. (the "Agency") is a nonprofit corporation organized in 1982 under the laws of North Carolina. The Agency operates as a care center in Pender County and provides services to the elderly including home delivered meals, congregate meals, companion services, personal care services, patient medical aid, and group activities.

The Agency receives substantially all its revenue from federal, state, and local governments, primarily from providing reimbursable services to Medicaid program beneficiaries and from grants received from a pass-through agency and Cape Fear Council of Governments. A significant reduction in the levels of support, if this were to occur, would have a significant effect on the Agency's programs and activities.

Administrative activities include the functions necessary to provide support to the Agency's program activities. Administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

The Agency is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, contributions to the Agency may be deductible by donors and related purpose income is exempt from income tax. The Agency is required to file Form 990, Return of Organization Exempt from Income Tax. The Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Agency believes it is no longer subject to income tax examinations for years prior to 2013.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The Agency prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. Accordingly, the financial statements have been prepared on the accrual basis. Revenue is recorded when earned and expenses are recorded when incurred. The significant accounting policies followed are described below to enhance the usefulness and understandability of the financial statements.



**Pender Adult Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

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Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Agency's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Agency's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors as follows:

- a) **Unrestricted net assets** are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Agency, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- b) **Temporarily restricted net assets** are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Agency's unspent contributions are classified in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Agency, unless the donor provides more specific directions about the period of its use.

- c) **Permanently restricted net assets** are resources whose use by the Agency is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Agency's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class. The Agency had no permanently restricted net asset activity in 2016 or 2015.

**Pender Adult Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

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Net Patient Revenue

Patient revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. Patient receivables are stated at the amount that management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. The allowance for uncollectible receivables is based on analysis and aging of accounts and was \$5,000 in 2016 and 2015.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Uniform Grant Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Agency's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Agency.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets, unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore, are reported as temporarily restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Pender Adult Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

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Gifts-In-Kind Contributions

The Agency periodically receives contributions in a form other than cash or investments. If the Agency receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Agency's capitalization policy. Donated use of facilities, if any, is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The Agency benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Agency's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, and money market accounts and short-term certificates of deposits with maturities of three months or less. From time to time during the period presented, the Agency has had cash balances in financial institutions that have exceeded federal depository insurance limits. Cash and cash equivalents are as follows at June 30:

	<u>2016</u>	<u>2015</u>
Cash on hand (petty cash)	\$ 405	\$ 405
First Citizens Bank	621,951	934,631
First Bank	401,605	-
TD Bank	<u>35,841</u>	<u>89,680</u>
Total Cash & Cash Equivalents	<u>\$ 1,059,802</u>	<u>\$ 1,024,716</u>

**Pender Adult Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

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Property and Depreciation

Land, buildings, and equipment are reported in the statement of financial position at cost if purchased and at fair value at the date of donation if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets (39 years for buildings, 7-15 years for improvements, 5-7 years for equipment and furnishings).

Land, buildings, and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Expense Recognition and Allocation

The cost of providing the Agency's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Total expenses for 2016 were \$3,146,300, which includes \$36,626 of netted special events direct expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using objective basis such as time spent, salaries, square feet, and other basis.

Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Agency.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Agency generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Subsequent Events

Subsequent events have been evaluated through November 7, 2016, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**Pender Adult Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

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Prior Year Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year then ended, from which the summarized information was derived. Certain reclassifications of prior year comparative amounts have been made in order to conform to the current year presentation.

**3. NOTES PAYABLE**

Notes payable consists of the following two notes to the USDA:

The first note is due in annual payments of principal and interest of \$31,605 through June 2029, at which time the remainder of principal is due. The interest rate is fixed at 4.75%. The balance at June 30, 2016 is \$303,396.

The second note is due in annual payments of principal and interest of \$22,320 through June 2026, at which time the remainder of principal is due. The interest rate is fixed at 4.125%. The balance at June 30, 2016 is \$164,173.

The maturities are as follows for the years ending June 30:

2017	\$ 32,708
2018	34,164
2019	35,686
2020	37,275
2021	38,936
Thereafter	<u>288,800</u>
Total	467,569
Less: Current	<u>(32,708)</u>
	<u>\$ 434,861</u>

The security agreement with USDA Rural Development requires that the Agency establish a reserve account setting aside \$54,174. At June 30, 2016, the Agency had reserves in excess of that amount outside of their operating account.

**Pender Adult Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

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**4. GOVERNMENT GRANTS**

The Agency receives its revenue from a variety of governmental agencies summarized as follows for the year ended June 30:

	<u>2016</u>
North Carolina Department of Transportation:	
Rural Operating Assistance Program	\$ 149,895
Community Transportation Program	98,199
Capital	98,590
Elderly Individuals and Individuals with Disabilities	58,360
North Carolina Department of Insurance:	
SHIIP	5,014
Corporation for National and Community Service	66,694
Local sources	<u>164,486</u>
	<u>\$ 641,238</u>

**5. RETIREMENT PLAN**

The Agency maintains a 403(b) qualified retirement plan (the "Plan") for all employees meeting eligibility requirements. The Agency has the option of matching contributions on an annual basis to the Plan on each participant's behalf in the amount of up to 50% of the first 4% of compensation that is contributed by each participant pursuant to a salary reduction agreement. The Agency contributions to the Plan were \$14,552 for the year ended June 30, 2015. No contributions were made during the year ended June 30, 2016.

**6. CONCENTRATIONS OF RISK**

Amounts held in financial institutions are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Agency deposits its cash with high quality institutions, and management believes the Agency is not exposed to significant credit risk on those amounts.

The Agency's revenue is received from federal grants and Medicaid billing. As such, the Agency's ability to generate resources is dependent upon the economic health of the grantors and Medicaid. Any major changes could cause a decrease in revenue.

## **7. CONTINGENCIES**

The Agency is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation.

The Agency purchases commercial insurance coverage against risk of loss due to errors and omission, fiduciary liability, property damage and theft, fraud, employment liability, and numerous other insurable risks. The Agency carries fire, wind, and hail property insurance in the aggregated amount of \$3,332,200 for 2016 and 2015 with a deductible of \$1,000 per location.

The Agency is covered by professional liability insurance on a claims-made basis. Policy limits provided are on a per-occurrence coverage up to \$1,000,000 and aggregate coverage of \$3,000,000. Management believes the coverage results in no remaining exposure to the Agency.

The Agency has an umbrella policy for up to \$1,000,000 per occurrence. The Agency also has a directors and officers policy.