

**ACTION PATHWAYS, INC.**  
FAYETTEVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS, SUPPLEMENTAL  
INFORMATION, OTHER DATA, AND  
COMPLIANCE SECTION

*As of and for the Year Ended December 31, 2017  
(With Comparative Totals for December 31, 2016)*

*And Report of Independent Auditor*

# ACTION PATHWAYS, INC.

## TABLE OF CONTENTS

---

<b>REPORT OF INDEPENDENT AUDITOR</b> .....	1-2
--	-----

### FINANCIAL STATEMENTS

Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7-14

### SUPPLEMENTAL INFORMATION

All Programs	
Combining Statement of Financial Position – Non-GAAP.....	15
Combining Statement of Public Support and Revenues and Functional Expenditures – Non-GAAP.....	16-17
Combining Statement of Cash Flows – Non-GAAP.....	18
Early Childhood Development Programs	
Combining Statement of Financial Position – Non-GAAP.....	19
Combining Statement of Public Support and Revenues and Functional Expenditures – Non-GAAP.....	20
Combining Statement of Cash Flows – Non-GAAP.....	21
Community Service Programs	
Combining Statement of Financial Position – Non-GAAP.....	22
Combining Statement of Public Support and Revenues and Functional Expenditures – Non-GAAP.....	23
Combining Statement of Cash Flows – Non-GAAP.....	24
Low Income Housing Programs	
Combining Statement of Financial Position – Non-GAAP.....	25
Combining Statement of Public Support and Revenues and Functional Expenditures – Non-GAAP.....	26
Combining Statement of Cash Flows – Non-GAAP.....	27
Statement of Public Support, Revenues, Expenditures, and Changes in Net Assets – Non-GAAP – Head Start Program Grant Number 04-CH-2139/49.....	28-29
Statement of Public Support, Revenues, Expenditures, and Changes in Net Assets – Non-GAAP – Community Services Block Grant Contract Numbers 32184 and 33627.....	30
Statement of Public Support and Revenues and Functional Expenditures – Budget and Actual – Non-GAAP – Community Services Block Grant Contract Number 32184.....	31
Statement of Public Support and Revenues and Functional Expenditures – Budget and Actual – Non-GAAP – Community Services Block Grant Contract Number 33627.....	32
Statement of Public Support and Revenues and Functional Expenditures – Budget and Actual – Non-GAAP – Weatherization, HARRP, and LIHEAP Programs Contract Number 6514.....	33-34

**ACTION PATHWAYS, INC.**  
**TABLE OF CONTENTS (CONTINUED)**

---

**OTHER DATA**

Statement of Financial Position – Non-GAAP –  
Second Harvest Food Bank of Southeast NC (unaudited) ..... 35

Statement of Public Support and Revenues and Functional Expenditures – Non-GAAP –  
Second Harvest Food Bank of Southeast NC (unaudited) ..... 36-37

**COMPLIANCE SECTION**

Report of Independent Auditor 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*..... 38-39

Report of Independent Auditor on Compliance for Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance ..... 40-41

Schedule of Findings and Questioned Costs ..... 42-43

Summary Schedule of Prior Audit Findings..... 44

Schedule of Expenditures of Federal and State Awards ..... 45-46

Notes to Schedule of Expenditures of Federal and State Awards..... 47

## Report of Independent Auditor

Board of Directors  
Action Pathways, Inc.  
Fayetteville, North Carolina

We have audited the accompanying financial statements of Action Pathways, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2017, 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 the 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 Organization'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 Organization'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 the Organization as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We previously audited the Organization's 2016 financial statements, and our report dated June 30, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the supplemental information as listed in the table of contents, are presented for purposes of additional analysis and are 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 schedule of expenditures of federal and state awards and the supplemental 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. The other data as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the Organization's internal control over financial reporting and on our test 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 our audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Cherry Roubert LLP*

Fayetteville, North Carolina  
June 25, 2018

**ACTION PATHWAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 1,081,863	\$ 979,531
Investments	784,101	681,597
Accounts receivable	387,302	670,748
Grants receivable	1,767,915	1,250,267
Inventories	6,718	10,593
Prepaid expenses	130,471	248,608
Security deposits	7,707	7,705
<b>Total Current Assets</b>	<b>4,166,077</b>	<b>3,849,049</b>
Property and equipment, net	5,414,391	4,823,417
<b>Total Assets</b>	<b>\$ 9,580,468</b>	<b>\$ 8,672,466</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 96,626	\$ 91,775
Accounts payable	579,391	459,203
Accrued salaries	135,079	131,806
Accrued vacation	247,529	241,192
Grant refunds payable	135,141	126,622
Deferred revenue	102,483	162,457
<b>Total Current Liabilities</b>	<b>1,296,249</b>	<b>1,213,055</b>
Long-Term Liabilities:		
Noncurrent portion of long-term debt	886,312	990,784
<b>Total Liabilities</b>	<b>2,182,561</b>	<b>2,203,839</b>
Net Assets:		
Unrestricted	7,106,571	6,281,608
Temporarily restricted	291,336	187,019
<b>Total Net Assets</b>	<b>7,397,907</b>	<b>6,468,627</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,580,468</b>	<b>\$ 8,672,466</b>

**ACTION PATHWAYS, INC.****STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2017</b>	<b>2016</b>
<b>Public Support and Revenues:</b>				
Contributions	\$ 588,555	\$ -	\$ 588,555	\$ 658,215
Federal financial assistance	11,875,231	2,938,522	14,813,753	13,841,030
State financial assistance	548,541	-	548,541	566,658
Local grants	84,287	-	84,287	43,910
Other grants	296,374	-	296,374	105,382
Donated services, materials, and space	2,187,344	-	2,187,344	1,924,220
Program fees and other	787,704	-	787,704	855,649
Contract services	1,303,767	-	1,303,767	2,247,001
Rent	59,031	-	59,031	72,549
Realized gains (losses) on investments	25,917	-	25,917	(14,656)
Unrealized gains on investments	67,301	-	67,301	49,331
Interest and dividends	15,753	-	15,753	13,499
Interfund charges	1,298,116	-	1,298,116	1,319,124
Total Public Support and Revenues	<u>19,137,921</u>	<u>2,938,522</u>	<u>22,076,443</u>	<u>21,681,912</u>
<b>Net Assets Released from Restrictions:</b>				
Satisfaction of program restrictions:				
Community services	891,351	(891,351)	-	-
Low income housing	1,942,854	(1,942,854)	-	-
Total Net Assets Released	<u>2,834,205</u>	<u>(2,834,205)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>21,972,126</u>	<u>104,317</u>	<u>22,076,443</u>	<u>21,681,912</u>
<b>Expenses:</b>				
Program Services:				
Early Childhood Development	13,630,788	-	13,630,788	13,192,425
Community Services	3,983,727	-	3,983,727	3,801,910
Low income Housing	2,211,214	-	2,211,214	3,313,723
Total Program Services	<u>19,825,729</u>	<u>-</u>	<u>19,825,729</u>	<u>20,308,058</u>
Supporting Services:				
Management and Administration	1,321,434	-	1,321,434	1,343,969
Total Supporting Services	<u>1,321,434</u>	<u>-</u>	<u>1,321,434</u>	<u>1,343,969</u>
Total Expenses	<u>21,147,163</u>	<u>-</u>	<u>21,147,163</u>	<u>21,652,027</u>
Increase in net assets	824,963	104,317	929,280	29,885
Net assets, beginning of year	6,281,608	187,019	6,468,627	6,438,742
Net assets, end of year	<u>\$ 7,106,571</u>	<u>\$ 291,336</u>	<u>\$ 7,397,907</u>	<u>\$ 6,468,627</u>

The accompanying notes to the financial statements are an integral part of these statements.

**ACTION PATHWAYS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2017*  
*(WITH COMPARATIVE TOTALS FOR 2016)*

	Program Services			Supporting Services	2017	2016
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration		
Expenditures:						
Salaries and wages	\$ 5,081,043	\$ 1,240,047	\$ 362,562	\$ 802,465	\$ 7,486,117	\$ 7,314,189
Employee taxes and benefits	1,948,660	364,152	113,941	207,019	2,633,772	2,544,002
Travel	96,937	39,653	26,628	17,248	180,466	253,495
Property and equipment	-	15,077	-	666	15,743	4,128
Mortgage payments	24,925	22,917	-	-	47,842	52,695
Supplies	479,671	73,220	21,078	29,603	603,572	427,860
Contractual	960,161	221,834	564,092	92,223	1,838,310	2,277,523
Communications	224,743	126,155	23,428	20,596	394,922	411,636
Leases	196,184	111,749	50,277	18,146	376,356	395,167
Rentals	8,620	8,846	3,491	5,577	26,534	40,506
Insurance	78,272	27,196	14,237	16,408	136,113	126,949
Repairs and maintenance	211,641	88,522	31,330	17,176	348,669	406,434
Client assistance	1,248	190,958	796,268	-	988,474	1,395,928
Food purchases	666,131	651,814	-	549	1,318,494	1,308,469
Other	490,095	275,730	101,531	77,028	944,384	1,086,823
Depreciation and loss on disposal	200,087	72,404	34,545	16,730	323,766	362,879
Local match	1,949,310	238,034	-	-	2,187,344	1,924,220
Indirect	1,013,060	215,419	67,806	-	1,296,285	1,319,124
<b>Total Expenditures</b>	<b>\$ 13,630,788</b>	<b>\$ 3,983,727</b>	<b>\$ 2,211,214</b>	<b>\$ 1,321,434</b>	<b>\$ 21,147,163</b>	<b>\$ 21,652,027</b>

The accompanying notes to the financial statements are an integral part of these statements.



**ACTION PATHWAYS, INC.**  
**STATEMENT OF CASH FLOWS**

*YEAR ENDED DECEMBER 31, 2017*  
*(WITH COMPARATIVE TOTALS FOR 2016)*

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 929,280	\$ 29,885
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	320,522	334,475
Loss on disposal of fixed assets	3,244	28,404
Realized and unrealized gain on investment	(93,243)	(34,675)
(Increase) decrease in operating assets:		
Accounts receivable	283,445	(195,765)
Grants receivable	(517,648)	(384,155)
Inventories	3,875	180,908
Prepaid expenses	118,137	(125,157)
Due from other funds	-	-
Increase (decrease) in operating liabilities:		
Accounts payable	120,184	3,738
Accrued salaries	3,273	28,439
Accrued vacation	6,337	(13,994)
Grant refunds payable	8,520	-
Deferred revenue	(59,974)	179,231
Net cash from operating activities	<u>1,125,952</u>	<u>31,334</u>
<b>Cash flows from investing activities:</b>		
Expended for property and equipment	(914,740)	(147,141)
Proceeds for sales of investments	228,823	747,958
Purchase of investments	(238,082)	(754,845)
Net cash from investing activities	<u>(923,999)</u>	<u>(154,028)</u>
<b>Cash flows from financing activities:</b>		
Repayment of notes payable	(99,621)	(94,950)
Net cash from financing activities	<u>(99,621)</u>	<u>(94,950)</u>
Net increase (decrease) in cash	102,332	(217,644)
Cash, beginning of year	979,531	1,197,175
Cash, end of year	<u>\$ 1,081,863</u>	<u>\$ 979,531</u>

The accompanying notes to the financial statements are an integral part of these statements.

# **ACTION PATHWAYS, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2017*

---

### **Note 1—Nature of operations**

Action Pathways, Inc. (the “Organization”) provides various types of aid to economically disadvantaged families in southeastern North Carolina. The Organization receives grant funds from various federal and state agencies. Some of the Organization’s functions include operating distribution centers for food through its food bank programs, providing credit counseling services, and weatherization assistance, as well as administering the Cumberland County Head Start Program.

The Organization’s name was originally Cumberland Community Action Program, Inc. until it was changed in March 2015 to Action Pathways, Inc.

### **Note 2—Summary of significant accounting policies**

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Basis of Accounting* – The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect significant receivables, payables, and other liabilities.

*Basis of Presentation* – Financial statement presentation follows the provisions of GAAP. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets.

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 GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2017, from which the summarized information was derived.

*Fund Accounting and Functional Expenses* – The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to the nature, purpose, or grant provisions. Separate accounts are maintained for each fund, however, in the accompanying financial statements funds that have similar characteristics have been combined into groups. Expenses are allocated on a functional basis among the various programs. Expenses that can be identified with a specific program are allocated directly to that program according to their natural expense classification.

*Cash and Cash Equivalents* – For the purposes of the statement of financial position and the statement of cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

*Concentration of Risk* – The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. At December 31, 2017, the collected balances at two financial institution exceeded FDIC coverage by a total of \$313,969.

**ACTION PATHWAYS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017

---

**Note 2—Summary of significant accounting policies (continued)**

The Organization’s main source of revenue is received from grant revenues paid by federal and state government agencies. Grant agreements are executed for grant years ending December 31 and June 30 with these agencies on an annual basis. The Organization does not expect in any way the support from these government agencies will be lost in the near term.

*Investments and Fair Value Measurements* – Investments are the only assets measured at fair value on a recurring basis (see Note 3). Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observed market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.
- Level 3 – Unobservable inputs that reflect managements’ assumptions and best estimates based on available data.

The Organization uses Level 1 and Level 2 measurements whenever possible, as they result in the most reliable measure of fair value.

*Allowance for Uncollectible Accounts* – The Organization provides an allowance for uncollectible accounts based on the allowance method using management’s judgment.

*Inventories* – Inventories consist of food and food supplies of the Head Start Program, TEFAP, and SNAP items of the Food Bank Program and are valued at cost. The Organization also maintains an inventory of donated items in its Food Bank Program. These are pass-through items which are not reflected in the financial statements.

*Donated Food* – The Organization is an affiliate of Feeding America operating as Second Harvest Food Bank of Southeast North Carolina. The Organization receives and distributes food commodities and receives a handling fee. No value has been placed on these commodities, or recorded on the financial statements, since the Organization is not the controlling Organization. During the year ended December 31, 2017, the Second Harvest Food Bank of Southeast North Carolina received approximately 11,397,415 pounds of donated food and distributed approximately 10,177,559 pounds of the donated food to member agencies. The donated food was valued at \$1.73 per pound, and therefore, amounts to \$19,717,528 received and \$17,607,177 distributed during the year. Of the \$17,607,177 distributed, \$1,646,716 was related to food commodities granted by the U.S. Department of Agriculture and passed through the N.C. Department of Agriculture, as shown in the schedule expenditures of federal and state awards.

*Property and Equipment* – Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives. Property and equipment are capitalized on the books if each individual item is \$5,000 or more in value. Depreciation is computed using primarily the straight-line method. The following are the estimated useful lives of the respective assets:

<u>Description</u>	<u>Estimated Useful Lives</u>
Vehicles	5 – 10 Years
Equipment, furniture, and fixtures	5 – 10 Years
Buildings and improvements	10 – 40 Years

**ACTION PATHWAYS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017

---

**Note 2—Summary of significant accounting policies (continued)**

Property and equipment acquired by the Organization are considered to be owned by the Organization, except for the property acquired with various grant funds. Such property shall not be disposed of without written approval from the applicable grantor agency. Other funding sources may have a reversionary interest in the property, as well as the determination of use of any proceeds, from the sale of these assets.

Donated property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are recorded as temporarily restricted support when used to match grant requirements for local match. Otherwise, the donations are recorded as unrestricted support.

*Compensated Absences* – The Organization’s sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest. Since the Organization does not have an obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made. The vacation policies of the Organization provide for the accumulation of up to 360 hours earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

*Restricted and Unrestricted Revenue and Support* – Contributions received are recorded as unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Grants and Contracts* – Support received under grants and contracts is recorded as public support when the related grant award is determined to be due and is accounted for as temporarily restricted until grant restrictions are met. Management considers all amounts due under grants and contracts to be collectible.

*Donated Services* – The Organization records all Head Start and Volunteer Income Tax Assistance donated services on its financial records in accordance with grant matching requirements and maintenance of level of effort requirements. Donated services not meeting the provisions of GAAP (those not requiring specific expertise), valued at \$173,059 for Head Start and \$505,017 for Volunteer Income Tax Assistance for the year ended December 31, 2017 is eliminated for financial statement purposes.

Second Harvest Food Bank of Southeast North Carolina benefited from approximately 19,886 hours of volunteer labor in association with the local County Workers Project for the year ended December 31, 2017. Donated services not meeting the provisions of GAAP (those not requiring specific expertise), valued at \$465,531 for the year ended December 31, 2017 were not recorded for financial statement purposes.

*Expense Allocation* – Management and general expenses are allocated to various programs based on an approved indirect cost allocation plan. The plan allocated these costs on the basis of direct labor costs including fringe benefits and donated services. The final rate for 2017 as determined by the Organization is 14.23%.

*Deferred Revenue* – Deferred revenue represents money received, but not yet earned under its intended purpose in accordance with GAAP.

# **ACTION PATHWAYS, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017

---

### **Note 2—Summary of significant accounting policies (continued)**

*Retirement Plan* – The Organization has a retirement plan covering all employees. The plan is a contributory retirement plan. All eligible employees can begin contributing on the date of hire. The Organization will match the employee contributions up to 5% of their gross salaries for all full-time employees who have at least 120 days of uninterrupted employment and who elect to participate. The Organization does not contribute for non-contributing employees. Total cost during the year ended December 31, 2017 was \$125,413.

*Advertising Costs* – The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended December 31, 2017 was approximately \$21,465.

### **Summary of Programs Operated by the Organization**

- *Head Start, Early Head Start, Child Nutrition, and State Child Development Program* – These programs provide comprehensive early childhood development for disadvantaged preschool children and their families.
- *Community Services Block Grant Program* – This program is designed to provide self-sufficiency services and has a June 30 year-end.
- *Weatherization Program and Weatherization Helping Hand Fund* – These programs are designed to provide energy efficiency assistance to low income persons, particularly the elderly and handicapped. These programs are generally funded for periods ending June 30.
- *Hope4NC Alliance* – This program provides crisis counseling to victims of recent natural disasters.
- *Consumer Credit Counseling Services* – This program provides financial literacy, credit, and housing counseling.
- *Home Investment Partnership Program* – This program is designed to expand the supply of decent and affordable housing, particularly rental housing, for low and low income individuals. This program was funded by the Department of Housing and Urban Development through the City of Fayetteville, the Participating Jurisdiction. The Organization was able to receive funds as a Community Housing Development Organization (“CHDO”) to acquire and rehabilitate property to hold as rental property. Rental revenue is restricted to use in the fund for upkeep of the property or for acquisition of additional property.
- *Ways and Means* – This program acquired certain assets from funds that had been accumulated over past years from fundraising activities. Other programs are charged user fees based on the amount of usage of these assets. This fund provides services not covered by other programs to qualified low income families.
- *Heating and Air Replacement Program (“HARRP”)* – This program is designed to inspect and repair/replace heating or air conditioning systems of the residences of low income persons.
- *Second Harvest Food Bank of Southeast North Carolina (“SHFB”)* – This program receives and distributes food which, through a network of member agencies, reaches the hungry in seven North Carolina counties served by SHFB.
- *Duke Energy Helping Home Fund* – This program utilizes funds from Duke Energy’s Helping Home Fund for the benefit of Duke Energy’s low income electric customers for health and safety projects, weatherization projects, heating repair and replacement projects, and vendor payments.
- *Volunteer Income Tax Assistance* – This program provides free tax preparation for low income individuals.

**ACTION PATHWAYS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017

---

**Note 3—Investments**

Investments are measured at fair value in the statement of financial position based on quoted market prices or other observable inputs, as applicable. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Investments consist of the following at December 31, 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 22,847	\$ -	\$ 22,847
Mutual funds	761,254	-	-	761,254
	<u>\$ 761,254</u>	<u>\$ 22,847</u>	<u>\$ -</u>	<u>\$ 784,101</u>

The Organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the valuation techniques. The Organization used the following ways to determine the fair value of its investments:

*Money Market Funds* – These investments are valued using \$1 for the unit value. The custodian establishes the market and quotes the price, on a daily basis, that is available to market participants. This valuation method is a market approach. As such, money market funds are classified within Level 2 of the valuation hierarchy.

*Mutual Funds* – Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date. The net asset value is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

**ACTION PATHWAYS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017

**Note 4—Property and equipment**

Property and equipment activity for the year ended December 31, 2017 was as follows:

	<b>December 31, 2016 Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2017 Ending Balances</b>
By asset type:				
Land	\$ 509,732	\$ -	\$ -	\$ 509,732
Vehicles	2,194,983	160,710	300,729	2,054,964
Equipment, furniture, and fixtures	1,833,791	247,950	10,811	2,070,930
Buildings and improvements	5,883,320	506,080	-	6,389,400
	<u>10,421,826</u>	<u>914,740</u>	<u>311,540</u>	<u>11,025,026</u>
By functions:				
CCCS	54,283	-	2,478	51,805
Head Start	4,480,885	548,465	278,829	4,750,521
State Child Development Programs	2,676,833	301,895	-	2,978,728
USDA	6,766	5,400	-	12,166
CSBG	205,136	-	-	205,136
Family Self-Sufficiency	2,870	-	-	2,870
Early Head Start Partnership	73,120	-	-	73,120
Home Investment Partnership Program	674,060	-	-	674,060
Weatherization	40,592	22,489	-	63,081
Ways and Means	20,500	-	-	20,500
Second Harvest Food Bank	1,386,590	36,492	1,164	1,421,918
Weatherization - ARRA	176,197	-	23,300	152,897
Corporate	623,993	-	5,769	618,224
	<u>10,421,825</u>	<u>914,741</u>	<u>311,540</u>	<u>11,025,026</u>
Accumulated depreciation	5,598,408	<u>\$ 318,900</u>	<u>\$ 306,673</u>	5,610,635
Net Book Value	<u>\$ 4,823,417</u>			<u>\$ 5,414,391</u>

**ACTION PATHWAYS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017

**Note 5—Long-term debt**

Long-term debt at December 31, 2017 consisted of the following:

Note payable in monthly installments of \$6,698, including interest at 4.65% with the note maturing on June 19, 2025; secured by real property at 2009 Southern Avenue, Fayetteville, North Carolina.	\$ 498,326
Note payable in monthly installments of \$5,592, including interest at 5.75% with the note maturing on October 30, 2027; secured by a Food Distribution Center at 406 Deep Creek Road, Fayetteville, North Carolina.	484,612
	<u>982,938</u>
Less current portion	96,626
	<u>\$ 886,312</u>

Scheduled maturities of long-term debt, including the current portion are as follows:

<u>Years Ending December 31,</u>	<u>Food Distribution Center</u>	<u>Southern Avenue Mortgage</u>	<u>Total</u>
2018	\$ 38,908	\$ 57,718	\$ 96,626
2019	41,238	60,500	101,738
2020	43,637	63,363	107,000
2021	46,320	66,466	112,786
2022	49,094	69,668	118,762
Thereafter	265,415	180,611	446,026
	<u>\$ 484,612</u>	<u>\$ 498,326</u>	<u>\$ 982,938</u>

Interest expense for the year ended December 31, 2017 was approximately \$47,800.

**Note 6—Income taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. If the Organization had earned income for activities not directly related to the Organization's tax-exempt purpose, it would be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509 (a)(1).

The Organization has evaluated the effect of GAAP guidance on Accounting for Uncertainty in Income Taxes. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization, and therefore, had no uncertain income tax positions at December 31, 2017.



**ACTION PATHWAYS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2017*

---

**Note 7—Leases**

The Organization is committed under several noncancellable operating leases for office space, Head Start Centers and various equipment and vehicles. Additionally, certain facilities and equipment are leased on a month to month basis. Lease expense for the year ended December 31, 2017 was \$376,356.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2017 are as follows:

**Years Ending December 31,**

2018	\$ 74,755
2019	16,996
	<u>\$ 91,751</u>

**Note 8—Temporarily restricted net assets**

Temporarily restricted net assets at December 31, 2017 are available for the following purposes:

Early Childhood Development programs	\$ 1,091
Community Services programs	224,467
Low Income Housing programs	65,778
	<u>\$ 291,336</u>

**Note 9—Contingencies**

The Organization receives funds from several federal and state grants, which are approximately 70% of total revenues. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Management believes any required refunds beyond what is already reserved will be immaterial. A provision of \$135,141 has been made in these financial statements for refund of grant monies.

The Organization receives a substantial amount of its support from governmental agencies. A significant reduction in the level of this support may have an adverse effect on the Organization's programs and activities.

**Note 10—Subsequent events**

The Organization has evaluated subsequent events through June 25, 2018, the date on which the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION – NON-GAAP**  
**ALL PROGRAMS**

DECEMBER 31, 2017

	Program Services			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	Property and Equipment		
<b>ASSETS</b>							
Current Assets:							
Cash	\$ 454,390	\$ 440,074	\$ 102,535	\$ 829,958	\$ -	\$ (745,094)	\$ 1,081,863
Investments	-	-	-	784,101	-	-	784,101
Accounts receivable	228,275	77,864	8,671	72,492	-	-	387,302
Grants receivable	960,772	539,988	267,155	-	-	-	1,767,915
Inventories	6,718	-	-	-	-	-	6,718
Prepaid expenses	81,270	18,727	9,371	21,103	-	-	130,471
Security deposits	2,000	4,812	838	57	-	-	7,707
Property and Equipment	-	-	-	-	5,414,391	-	5,414,391
Other Assets:							
Due from other funds	2,107	38,970	-	-	-	(41,077)	-
<b>Total Assets</b>	<b>\$ 1,735,532</b>	<b>\$ 1,120,435</b>	<b>\$ 388,570</b>	<b>\$ 1,707,711</b>	<b>\$ 5,414,391</b>	<b>\$ (786,171)</b>	<b>\$ 9,580,468</b>
<b>LIABILITIES AND NET ASSETS</b>							
Current Liabilities:							
Temporary bank overdraft payable	\$ 536,455	\$ 87,623	\$ 121,016	\$ -	\$ -	\$ (745,094)	\$ -
Current portion of long-term debt	-	-	-	-	96,626	-	96,626
Accounts payable	370,480	47,320	52,054	109,537	-	-	579,391
Accrued salaries	92,438	20,665	5,462	16,514	-	-	135,079
Accrued vacation	126,900	49,562	14,531	56,536	-	-	247,529
Grant refunds payable	10,366	97,659	27,116	-	-	-	135,141
Deferred revenue	-	96,738	5,745	-	-	-	102,483
Long-Term Liabilities:							
Long-term debt	-	-	-	-	886,312	-	886,312
Due to other funds	-	38,970	2,107	-	-	(41,077)	-
<b>Total Liabilities</b>	<b>1,136,639</b>	<b>438,537</b>	<b>228,031</b>	<b>182,587</b>	<b>982,938</b>	<b>(786,171)</b>	<b>2,182,561</b>
Net Assets:							
Unrestricted	597,802	457,431	94,761	1,525,124	4,431,453	-	7,106,571
Temporarily restricted	1,091	224,467	65,778	-	-	-	291,336
<b>Total Net Assets</b>	<b>598,893</b>	<b>681,898</b>	<b>160,539</b>	<b>1,525,124</b>	<b>4,431,453</b>	<b>-</b>	<b>7,397,907</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,735,532</b>	<b>\$ 1,120,435</b>	<b>\$ 388,570</b>	<b>\$ 1,707,711</b>	<b>\$ 5,414,391</b>	<b>\$ (786,171)</b>	<b>\$ 9,580,468</b>

**ACTION PATHWAYS, INC.**

**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP  
ALL PROGRAMS**

YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	Property and Equipment		
Public Support and Revenues:							
Contributions	\$ -	\$ 588,134	\$ -	\$ 421	\$ -	\$ -	\$ 588,555
Grant assistance:							
Federal and Federal pass-through	11,238,851	1,599,152	1,975,750	-	-	-	14,813,753
State	-	548,541	-	-	-	-	548,541
Local	-	78,782	5,505	-	-	-	84,287
Other	-	296,374	-	-	-	-	296,374
Other revenues:							
Program fees	77,252	575,844	1,789	-	-	-	654,885
Contract services	904,050	182,712	217,005	-	-	-	1,303,767
Rent	-	4,800	54,231	-	-	-	59,031
Indirect	-	-	-	1,298,116	-	-	1,298,116
Interest and dividends	-	85	-	15,668	-	-	15,753
Realized (loss) gains on investments	-	-	-	25,917	-	-	25,917
Unrealized (loss) gains on investments	-	-	-	67,301	-	-	67,301
Local match	2,122,369	743,051	-	-	-	(678,076)	2,187,344
Other	116,549	9,360	6,684	226	1,014,361	(1,014,361)	132,819
<b>Total Public Support and Revenues</b>	<b>14,459,071</b>	<b>4,626,835</b>	<b>2,260,964</b>	<b>1,407,649</b>	<b>1,014,361</b>	<b>(1,692,437)</b>	<b>22,076,443</b>
Expenditures:							
Salaries and wages	5,081,043	1,240,047	362,562	802,465	-	-	7,486,117
Employee taxes and benefits	1,948,660	364,152	113,941	207,019	-	-	2,633,772
Travel	96,937	39,653	26,628	17,248	-	-	180,466
Property and equipment	231,055	51,569	22,489	666	-	-	305,779
Mortgage payments	80,376	67,087	-	-	-	-	147,463
Supplies	485,071	73,220	21,078	29,603	-	-	608,972
Contractual	1,173,808	221,834	564,092	92,223	-	-	2,051,957
Communications	224,743	126,155	23,428	20,596	-	-	394,922
Leases	196,184	111,749	50,277	18,146	-	-	376,356
Rentals	8,620	8,846	3,491	5,577	-	-	26,534
Insurance	78,272	27,196	14,237	16,408	-	-	136,113

**ACTION PATHWAYS, INC.**

COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP

(CONTINUED)

ALL PROGRAMS

YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services			Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	Property and Equipment	Eliminations	
Expenditures (continued):							
Repairs and maintenance	\$ 539,488	\$ 88,522	\$ 31,330	\$ 17,176	\$ -	\$ -	\$ 676,516
Client assistance	1,248	190,958	796,268	-	-	-	988,474
Food purchases	666,131	651,814	-	549	-	-	1,318,494
Depreciation	-	-	-	-	320,522	(320,522)	-
Local match - noncash	2,122,369	743,051	-	-	-	(678,076)	2,187,344
Indirect	1,013,060	215,419	67,806	-	-	-	1,296,285
Other	567,905	275,730	101,531	77,028	-	-	1,022,194
Loss on disposal of assets	-	-	-	-	3,244	-	3,244
<b>Total Expenditures</b>	<b>14,514,970</b>	<b>4,497,002</b>	<b>2,199,158</b>	<b>1,304,704</b>	<b>323,766</b>	<b>(998,598)</b>	<b>21,841,002</b>
Change in net assets before adjustments to convert to expenses to GAAP	(55,899)	129,833	61,806	102,945	690,595	(693,839)	235,441
Adjustments to Convert to Expenses to GAAP:							
Deduct property and equipment purchases	(855,760)	(36,492)	(22,488)	-	-	-	(914,740)
Deduct mortgage principal payments	(55,451)	(44,170)	-	-	-	-	(99,621)
Add depreciation expense	200,087	72,404	34,545	13,486	-	-	320,522
<b>Total Expenses</b>	<b>13,803,846</b>	<b>4,488,744</b>	<b>2,211,215</b>	<b>1,318,190</b>	<b>323,766</b>	<b>(998,598)</b>	<b>21,147,163</b>
Change in net assets after adjustments to convert to GAAP	\$ 655,225	\$ 138,091	\$ 49,749	\$ 89,459	\$ 690,595	\$ (693,839)	\$ 929,280

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF CASH FLOWS – NON-GAAP**  
**ALL PROGRAMS**

YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administrative	Property and Equipment		
<b>Cash flows from operating activities:</b>							
Change in net assets before adjustments to GAAP	\$ (55,899)	\$ 129,833	\$ 61,806	\$ 102,945	\$ 690,595	\$ (693,839)	\$ 235,441
Adjustments to reconcile change in net assets provided by (used in) operating activities:							
Loss on disposal of fixed assets	-	-	-	-	3,244	-	3,244
Realized and unrealized (gain) loss on investments	-	-	-	(93,243)	-	-	(93,243)
(Increase) decrease in operating assets:							
Accounts receivable	42,550	(26,352)	263,804	3,443	-	-	283,445
Grants receivable	(190,850)	(228,282)	(98,516)	-	-	-	(517,648)
Inventory	3,875	-	-	-	-	-	3,875
Prepaid expenses	97,181	10,529	6,698	3,729	-	-	118,137
Due from other funds	(582)	45,328	-	-	-	-	44,746
Increase (decrease) in operating liabilities:							
Accounts payable	171,553	(32,225)	(60,182)	41,038	-	-	120,184
Accrued salaries	6,677	3,950	(3,381)	(3,973)	-	-	3,273
Accrued vacation	8,461	6,761	(6,728)	(2,157)	-	-	6,337
Grants refunds payable	-	8,520	-	-	-	-	8,520
Deferred revenue	-	(65,719)	5,745	-	-	-	(59,974)
Due to other funds	-	(45,328)	582	-	-	-	(44,746)
Net cash from operating activities	82,966	(192,985)	169,828	51,782	693,839	(693,839)	111,591
<b>Cash flows to investing activities:</b>							
Proceeds from sale of investments	-	-	-	228,823	-	-	228,823
Purchase of investments	-	-	-	(238,082)	-	-	(238,082)
Net cash to investing activities	-	-	-	(9,259)	-	-	(9,259)
<b>Cash flows to financing activities:</b>							
Repayment of notes payable	-	-	-	-	-	-	-
Net cash to financing activities	-	-	-	-	-	-	-
Net change in cash before adjustments to GAAP	82,966	(192,985)	169,828	42,523	693,839	(693,839)	102,332
Adjustments to convert to expenses to GAAP:							
Deduct property and equipment purchases	-	-	-	-	(914,740)	914,740	-
Deduct mortgage principal payments	-	-	-	-	(99,621)	99,621	-
Add depreciation expense	-	-	-	-	320,522	(320,522)	-
Total Adjustments	-	-	-	-	(693,839)	693,839	-
Net change in cash	82,966	(192,985)	169,828	42,523	-	-	102,332
Cash, beginning of year	(165,031)	545,436	(188,309)	787,435	-	-	979,531
Cash, end of year	\$ (82,065)	\$ 352,451	\$ (18,481)	\$ 829,958	\$ -	\$ -	\$ 1,081,863

**ACTION PATHWAYS, INC.**

**COMBINING STATEMENT OF FINANCIAL POSITION – NON-GAAP  
EARLY CHILDHOOD DEVELOPMENT PROGRAMS**

DECEMBER 31, 2017

	Head Start Program	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
<b>ASSETS</b>					
Current Assets:					
Cash	\$ -	\$ -	\$ -	\$ 454,390	\$ 454,390
Accounts receivable	58,175	-	-	170,100	228,275
Grants receivable	809,463	105,283	46,026	-	960,772
Inventories	-	-	6,718	-	6,718
Prepaid expenses	72,166	1,794	1,216	6,094	81,270
Security deposits	2,000	-	-	-	2,000
Other Assets:					
Due from other funds	-	-	-	2,107	2,107
<b>Total Assets</b>	<u>\$ 941,804</u>	<u>\$ 107,077</u>	<u>\$ 53,960</u>	<u>\$ 632,691</u>	<u>\$ 1,735,532</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities:					
Temporary bank overdraft payable	\$ 512,952	\$ 20,989	\$ 2,514	\$ -	536,455
Accounts payable	244,924	71,710	47,218	6,628	370,480
Accrued salaries	76,298	5,141	1,690	9,309	92,438
Accrued vacation	106,539	9,237	2,538	8,586	126,900
Grant refunds payable	-	-	-	10,366	10,366
<b>Total Liabilities</b>	<u>940,713</u>	<u>107,077</u>	<u>53,960</u>	<u>34,889</u>	<u>1,136,639</u>
Net Assets:					
Unrestricted	-	-	-	597,802	597,802
Temporarily restricted	1,091	-	-	-	1,091
<b>Total Net Assets</b>	<u>1,091</u>	<u>-</u>	<u>-</u>	<u>597,802</u>	<u>598,893</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 941,804</u>	<u>\$ 107,077</u>	<u>\$ 53,960</u>	<u>\$ 632,691</u>	<u>\$ 1,735,532</u>

**ACTION PATHWAYS, INC.**

**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP  
EARLY CHILDHOOD DEVELOPMENT PROGRAMS**

YEAR ENDED DECEMBER 31, 2017

	Head Start Program	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
Public Support and Revenues:					
Grant Assistance:					
Federal and Federal pass-through	9,141,944	1,375,370	721,537	-	11,238,851
Other Revenues:					
Program fees	-	-	77,252	-	77,252
Contract services	-	-	-	904,050	904,050
Local match	2,098,035	24,334	-	-	2,122,369
Other	114,522	-	-	2,027	116,549
Total Public Support and Revenues	<u>11,354,501</u>	<u>1,399,704</u>	<u>798,789</u>	<u>906,077</u>	<u>14,459,071</u>
Expenditures:					
Salaries and wages	4,413,340	280,216	93,163	294,324	5,081,043
Employee taxes and benefits	1,688,219	69,061	30,251	161,129	1,948,660
Travel	60,959	34,295	21	1,662	96,937
Property and equipment	176,535	-	-	54,520	231,055
Mortgage payments	80,376	-	-	-	80,376
Supplies	320,591	97,836	47,244	19,400	485,071
Contractual	135,603	797,675	6,152	234,378	1,173,808
Communications	207,433	8,523	2,049	6,738	224,743
Leases	178,699	3,121	122	14,242	196,184
Rentals	3,483	240	27	4,870	8,620
Insurance	68,644	3,716	1,127	4,785	78,272
Repairs and maintenance	479,076	1,857	2,456	56,099	539,488
Client assistance	-	-	-	1,248	1,248
Food purchases	77,927	63	588,141	-	666,131
Local match	2,098,035	24,334	-	-	2,122,369
Indirect	867,115	49,702	17,562	78,681	1,013,060
Other	498,466	29,065	10,474	29,900	567,905
Total Expenditures	<u>11,354,501</u>	<u>1,399,704</u>	<u>798,789</u>	<u>961,976</u>	<u>14,514,970</u>
Change in net assets before adjustments to convert to GAAP	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (55,899)</u>	<u>\$ (55,899)</u>



**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF CASH FLOWS – NON-GAAP  
EARLY CHILDHOOD DEVELOPMENT PROGRAMS**

YEAR ENDED DECEMBER 31, 2017

	Head Start Program	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
<b>Cash flows from operating activities:</b>					
Change in net assets before adjustments to convert to GAAP	\$ -	\$ -	\$ -	\$ (55,899)	\$ (55,899)
Adjustments to reconcile change in net assets to net cash used in operating activities:					
(Increase) decrease in operating assets:					
Accounts receivable	38,222	113	110	4,105	42,550
Grants receivable	(357,026)	155,253	10,923	-	(190,850)
Inventories	-	-	3,875	-	3,875
Prepaid expenses	87,548	3,024	988	5,621	97,181
Security deposits	-	-	-	-	-
Due from other funds	1,525	-	-	(2,107)	(582)
Increase (decrease) in operating liabilities:					
Accounts payable	140,513	(1,197)	26,943	5,294	171,553
Accrued salaries	1,378	560	472	4,267	6,677
Accrued vacation	4,685	(2,262)	778	5,260	8,461
Net cash from operating activities	<u>(83,155)</u>	<u>155,491</u>	<u>44,089</u>	<u>(33,459)</u>	<u>82,966</u>
Net change in cash	(83,155)	155,491	44,089	(33,459)	82,966
Cash, beginning of year	<u>(429,797)</u>	<u>(176,480)</u>	<u>(46,603)</u>	<u>487,849</u>	<u>(165,031)</u>
Cash, end of year	<u>\$ (512,952)</u>	<u>\$ (20,989)</u>	<u>\$ (2,514)</u>	<u>\$ 454,390</u>	<u>\$ (82,065)</u>

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION – NON-GAAP**  
**COMMUNITY SERVICE PROGRAMS**

DECEMBER 31, 2017

	Community Services Block Grant Program	Hope4NC	Special Grants	Second Harvest Food Bank of Southeast NC	Volunteer Income Tax Assistance	Consumer Credit Counseling Services	Total
<b>ASSETS</b>							
Current Assets:							
Cash	\$ 108,436	\$ -	\$ 20,000	\$ 127,979	\$ -	\$ 183,659	\$ 440,074
Accounts receivable	-	-	-	65,952	-	11,912	77,864
Grants receivable	171,205	102,063	-	223,146	-	43,574	539,988
Prepaid expenses	4,561	-	-	9,976	-	4,190	18,727
Security deposits	4,812	-	-	-	-	-	4,812
Other Assets:							
Due from other funds	38,970	-	-	-	-	-	38,970
<b>Total Assets</b>	<b>\$ 327,984</b>	<b>\$ 102,063</b>	<b>\$ 20,000</b>	<b>\$ 427,053</b>	<b>\$ -</b>	<b>\$ 243,335</b>	<b>\$ 1,120,435</b>
<b>LIABILITIES AND NET ASSETS</b>							
Current Liabilities:							
Temporary bank overdraft payable	\$ -	\$ 87,623	\$ -	\$ -	\$ -	\$ -	\$ 87,623
Accounts payable	10,707	1,674	-	33,939	-	1,000	47,320
Accrued salaries	7,433	5,213	-	8,019	-	-	20,665
Accrued vacation	15,004	7,553	-	27,005	-	-	49,562
Grant refunds payable	80,373	-	-	17,286	-	-	97,659
Deferred revenue	-	-	-	96,738	-	-	96,738
Long-Term Liabilities:							
Due to other funds	-	-	-	38,970	-	-	38,970
<b>Total Liabilities</b>	<b>113,517</b>	<b>102,063</b>	<b>-</b>	<b>221,957</b>	<b>-</b>	<b>1,000</b>	<b>438,537</b>
Net Assets:							
Unrestricted	-	-	10,000	205,096	-	242,335	457,431
Temporarily restricted	214,467	-	10,000	-	-	-	224,467
<b>Total Net Assets</b>	<b>214,467</b>	<b>-</b>	<b>20,000</b>	<b>205,096</b>	<b>-</b>	<b>242,335</b>	<b>681,898</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 327,984</b>	<b>\$ 102,063</b>	<b>\$ 20,000</b>	<b>\$ 427,053</b>	<b>\$ -</b>	<b>\$ 243,335</b>	<b>\$ 1,120,435</b>

# ACTION PATHWAYS, INC.

## COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP COMMUNITY SERVICE PROGRAMS

YEAR ENDED DECEMBER 31, 2017

	Community Services Block Grant Program	Hope4NC	Special Grants	Second Harvest Food Bank of Southeast NC	Volunteer Income Tax Assistance	Consumer Credit Counseling Services	Total
Public Support and Revenues:							
Contributions	\$ 200	\$ -	\$ -	\$ 587,934	\$ -	\$ -	\$ 588,134
Grant assistance:							
Federal and Federal pass-through	952,772	326,531	-	118,380	140,281	61,188	1,599,152
State	-	-	-	548,541	-	-	548,541
Local	-	-	-	78,782	-	-	78,782
Other	-	-	20,000	246,558	-	29,816	296,374
Other revenues:							
Program fees	-	-	-	522,378	-	53,466	575,844
Contract services	-	-	-	-	-	182,712	182,712
Rent	-	-	-	4,800	-	-	4,800
Interest	48	-	-	-	-	37	85
Local Match	-	-	-	74,057	668,994	-	743,051
Other	-	-	-	9,360	-	-	9,360
Total Public Support and Revenues	<u>953,020</u>	<u>326,531</u>	<u>20,000</u>	<u>2,190,790</u>	<u>809,275</u>	<u>327,219</u>	<u>4,626,835</u>
Expenditures:							
Salaries and wages	368,683	230,464	-	457,780	11,014	172,106	1,240,047
Employee taxes and benefits	109,512	55,221	-	147,757	2,277	49,385	364,152
Travel	24,364	2,083	-	8,016	-	5,190	39,653
Property and equipment	16,124	-	-	35,445	-	-	51,569
Mortgage payments	-	-	-	67,087	-	-	67,087
Supplies	21,610	451	-	46,167	-	4,992	73,220
Contractual	6,326	605	-	79,222	126,644	9,037	221,834
Communications	6,264	1,640	-	98,954	11	19,286	126,155
Leases	39,286	-	-	56,691	-	15,772	111,749
Rentals	226	-	-	2,097	-	6,523	8,846
Insurance	1,933	-	-	19,113	-	6,150	27,196
Repairs and maintenance	1,332	-	-	65,535	-	21,655	88,522
Client assistance	190,958	-	-	-	-	-	190,958
Food purchases	-	-	-	651,458	252	104	651,814
Other	36,933	6,382	-	189,529	83	42,803	275,730
Local match	-	-	-	74,057	668,994	-	743,051
Indirect	68,048	29,685	-	86,168	-	31,518	215,419
Total Expenditures	<u>891,599</u>	<u>326,531</u>	<u>-</u>	<u>2,085,076</u>	<u>809,275</u>	<u>384,521</u>	<u>4,497,002</u>
Change in net assets before adjustments to convert to GAAP	<u>\$ 61,421</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 105,714</u>	<u>\$ -</u>	<u>\$ (57,302)</u>	<u>\$ 129,833</u>

**ACTION PATHWAYS, INC.**

**COMBINING STATEMENT OF CASH FLOWS – NON-GAAP  
COMMUNITY SERVICE PROGRAMS**

YEAR ENDED DECEMBER 31, 2017

	Community Services Block Grant Program	Hope4NC	Special Grants	Second Harvest Food Bank of Southeast NC	Volunteer Income Tax Assistance	Consumer Credit Counseling Services	Total
<b>Cash flows from operating activities:</b>							
Change in net assets before adjustments to convert to expenses to GAAP	\$ 61,421	\$ -	\$ 20,000	\$ 105,714	\$ -	\$ (57,302)	\$ 129,833
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:							
(Increase) decrease in operating assets:							
Accounts receivable	-	-	-	(38,008)	-	11,656	(26,352)
Grants receivable	(43,738)	(102,063)	-	(133,429)	1,277	49,671	(228,282)
Prepaid expenses	3,648	-	-	2,316	31	4,534	10,529
Due from other funds	45,328	-	-	-	-	-	45,328
Increase (decrease) in operating liabilities:							
Accounts payable	(253)	1,674	-	(28,778)	(8)	(4,860)	(32,225)
Accrued salaries	2,554	5,213	-	1,106	-	(4,923)	3,950
Accrued vacation	2,266	7,553	-	7,322	-	(10,380)	6,761
Grant refunds payable	-	-	-	8,520	-	-	8,520
Deferred revenue	-	-	-	(65,719)	-	-	(65,719)
Due to other funds	-	-	-	-	-	(45,328)	(45,328)
Net cash from operating activities	<u>71,226</u>	<u>(87,623)</u>	<u>20,000</u>	<u>(140,956)</u>	<u>1,300</u>	<u>(56,932)</u>	<u>(192,985)</u>
Net change in cash	71,226	(87,623)	20,000	(140,956)	1,300	(56,932)	(192,985)
Cash, beginning of year	37,210	-	-	268,935	(1,300)	240,591	545,436
Cash, end of year	<u>\$ 108,436</u>	<u>\$ (87,623)</u>	<u>\$ 20,000</u>	<u>\$ 127,979</u>	<u>\$ -</u>	<u>\$ 183,659</u>	<u>\$ 352,451</u>

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF FINANCIAL POSITION – NON-GAAP****LOW INCOME HOUSING PROGRAMS***DECEMBER 31, 2017*

	<b>Weatherization Program</b>	<b>Duke Energy Helping Home Fund</b>	<b>Weatherization Helping Hand</b>	<b>Home Investment Partnership Program</b>	<b>Total</b>
<b>ASSETS</b>					
Current Assets:					
Cash	\$ -	\$ -	\$ 6,194	\$ 96,341	\$ 102,535
Accounts receivable	-	8,671	-	-	8,671
Grants receivable	267,155	-	-	-	267,155
Prepaid expenses	8,844	-	-	527	9,371
Security deposits	838	-	-	-	838
<b>Total Assets</b>	<b>\$ 276,837</b>	<b>\$ 8,671</b>	<b>\$ 6,194</b>	<b>\$ 96,868</b>	<b>\$ 388,570</b>
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities:					
Temporary bank overdraft payable	\$ 120,990	\$ 26	\$ -	\$ -	\$ 121,016
Accounts payable	42,960	8,645	449	-	52,054
Accrued salaries	5,462	-	-	-	5,462
Accrued vacation	14,531	-	-	-	14,531
Grant refunds payable	27,116	-	-	-	27,116
Deferred revenue	-	-	5,745	-	5,745
Long-Term Liabilities:					
Due to other funds	-	-	-	2,107	2,107
<b>Total Liabilities</b>	<b>211,059</b>	<b>8,671</b>	<b>6,194</b>	<b>2,107</b>	<b>228,031</b>
Net Assets:					
Unrestricted	-	-	-	94,761	94,761
Temporarily restricted	65,778	-	-	-	65,778
<b>Total Net Assets</b>	<b>65,778</b>	<b>-</b>	<b>-</b>	<b>94,761</b>	<b>160,539</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 276,837</b>	<b>\$ 8,671</b>	<b>\$ 6,194</b>	<b>\$ 96,868</b>	<b>\$ 388,570</b>

**ACTION PATHWAYS, INC.**

**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP  
LOW INCOME HOUSING PROGRAMS**

YEAR ENDED DECEMBER 31, 2017

	<u>Weatherization Program</u>	<u>Duke Energy Helping Home Fund</u>	<u>Weatherization Helping Hand</u>	<u>Home Investment Partnership Program</u>	<u>Total</u>
Public Support and Revenues:					
Grant Assistance:					
Federal and Federal pass-through	\$ 1,975,750	\$ -	\$ -	\$ -	\$ 1,975,750
Local	-	-	5,505	-	5,505
Other Revenues:					
Program fees	1,650	139	-	-	1,789
Contract services	-	217,005	-	-	217,005
Rent	-	-	-	54,231	54,231
Other	-	6,684	-	-	6,684
Total Public Support and Revenues	<u>1,977,400</u>	<u>223,828</u>	<u>5,505</u>	<u>54,231</u>	<u>2,260,964</u>
Expenditures:					
Salaries and wages	339,816	22,746	-	-	362,562
Employee taxes and benefits	111,248	2,693	-	-	113,941
Travel	26,628	-	-	-	26,628
Property and equipment	22,489	-	-	-	22,489
Supplies	20,278	794	-	6	21,078
Contractual	501,702	58,404	3,811	175	564,092
Communications	23,367	61	-	-	23,428
Leases	50,277	-	-	-	50,277
Rentals	3,491	-	-	-	3,491
Insurance	12,276	-	-	1,961	14,237
Repairs and maintenance	17,439	-	-	13,891	31,330
Client assistance	684,165	110,409	1,694	-	796,268
Indirect	45,754	22,052	-	-	67,806
Other	85,574	6,669	-	9,288	101,531
Total Expenditures	<u>1,944,504</u>	<u>223,828</u>	<u>5,505</u>	<u>25,321</u>	<u>2,199,158</u>
Change in net assets before adjustments to convert to GAAP	<u>\$ 32,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,910</u>	<u>\$ 61,806</u>

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF CASH FLOWS – NON-GAAP  
LOW INCOME HOUSING PROGRAMS**

YEAR ENDED DECEMBER 31, 2017

	Weatherization Program	Duke Energy Helping Home Fund	Weatherization Helping Hand	Home Investment Partnership Program	Total
<b>Cash flows from operating activities:</b>					
Change in net assets before adjustments to convert expenses to GAAP	\$ 32,896	\$ -	\$ -	\$ 28,910	\$ 61,806
Adjustments to reconcile increase in net assets to net cash provided by operating activities:					
(Increase) decrease in operating assets:					
Accounts receivable	-	262,994	-	810	263,804
Grants receivable	(98,516)	-	-	-	(98,516)
Prepaid expenses	6,844	-	-	(146)	6,698
Increase (decrease) in operating liabilities:					
Accounts payable	(621)	(60,010)	449	-	(60,182)
Accrued salaries	(3,381)	-	-	-	(3,381)
Accrued vacation	(6,728)	-	-	-	(6,728)
Deferred revenue	-	-	5,745	-	5,745
Due to other funds	-	-	-	582	582
Net cash from operating activities	<u>(69,506)</u>	<u>202,984</u>	<u>6,194</u>	<u>30,156</u>	<u>169,828</u>
Net change in cash	(69,506)	202,984	6,194	30,156	169,828
Cash, beginning of year	(51,484)	(203,010)	-	66,185	(188,309)
Cash, end of year	<u>\$ (120,990)</u>	<u>\$ (26)</u>	<u>\$ 6,194</u>	<u>\$ 96,341</u>	<u>\$ (18,481)</u>

**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT, REVENUES, EXPENDITURES, AND CHANGE IN NET  
ASSETS – NON-GAAP  
HEAD START PROGRAM GRANT NUMBER 04-CH2139/49***YEAR ENDED DECEMBER 31, 2017*

---

Public Support and Revenues	
Government Grants:	
Department of Health and Human Services - Head Start	
Current year - new obligations:	
Full year, part day, and special needs (PA-22)	\$ 7,111,926
Training and technical assistance (PA-20)	65,593
Early program (PA-25)	1,928,345
Training and technical assistance (PA-21)	36,080
	<hr/>
Total Government Grants	9,141,944
Other Revenue and Public Support:	
USDA reimbursement grants	721,537
Grantees non-federal share - budget amount	2,098,035
USDA adult lunch revenues	77,252
Child care reimbursement	45
Other	114,477
	<hr/>
Total Other Revenue and Public Support	3,011,346
	<hr/>
Total Public Support and Revenues	12,153,290
Expenditures:	
Government Grants:	
Head Start - full year, part day (PA-22):	
Direct costs:	
Salaries and wages	3,263,819
Fringe benefits	1,383,225
Expendable equipment and equipment rental	10,888
Supplies	261,279
Contractual and space costs	257,022
Other	1,385,976
	<hr/>
Subtotal	6,562,209
Indirect costs	664,240
	<hr/>
Total	7,226,449
Training and technical assistance (PA-20):	
Direct costs:	
Travel	65,593
	<hr/>
Early Program (PA-25):	
Direct costs:	
Salaries and wages	1,149,521
Fringe benefits	304,993
Expendable equipment and equipment rental	33,232
Supplies	114,973
Contractual and space costs	45,993
Other	76,758
	<hr/>
Subtotal	1,725,470
Indirect costs	202,875
	<hr/>
Total	1,928,345
	<hr/>



**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT, REVENUES, EXPENDITURES, AND CHANGE IN NET ASSETS – NON-GAAP (CONTINUED)  
HEAD START PROGRAM GRANT NUMBER 04-CH2139/49***YEAR ENDED DECEMBER 31, 2017*

---

Training and technical assistance (PA-21):	
Direct costs:	
Travel	\$ 36,079
Total Head Start	<u>9,256,466</u>
Other Expenditures:	
USDA reimbursement funds:	
Direct costs:	
Salaries and wages	93,163
Fringe benefits	30,251
Supplies	47,245
Contractual and space costs	6,180
Other	<u>604,389</u>
Subtotal	781,228
Indirect costs	<u>17,561</u>
Total USDA	<u>798,789</u>
Public Support:	
Head Start - full year part day (PA-22):	
In-kind contributions (see note below)	2,067,009
Head Start Early (PA-25):	
In-kind contributions (see note below)	<u>31,026</u>
Total Public Support	<u>2,098,035</u>
Total Expenditures	<u>12,153,290</u>
Change in net assets	-
Net assets, beginning of year	<u>1,091</u>
Net assets, end of year	<u><u>\$ 1,091</u></u>
Analysis of Net Assets:	
Temp. Restricted:	
NC Transition Grant	<u><u>\$ 1,091</u></u>

Head Start Administrative costs calculation:

Administrative costs divided by grant revenue  $\$964,097/\$11,239,979 = 8.58\%$ 

Conclusion - Final administrative costs do not exceed the 15% statutory limitation.

**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT, REVENUES, EXPENDITURES, AND CHANGE IN NET ASSETS – NON-GAAP****COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBER 32184 AND 33627***PERIOD ENDING JUNE 30, 2017 AND 2018*

	<b>Grant Period Ending June 30, 2017</b>	<b>Grant Period Ending June 30, 2018</b>	<b>Total</b>
Public Support, Government Grants, and Revenues:			
Direct - donations	\$ 200	\$ -	\$ 200
Interest income	19	29	48
Government grants:			
Federal pass-through	283,954	668,818	952,772
Total Public Support, Government Grants, and Revenues	<u>284,173</u>	<u>668,847</u>	<u>953,020</u>
Expenditures:			
Direct Costs:			
Salaries and wages	175,309	193,376	368,685
Fringe benefits	52,072	57,440	109,512
Communications	4,125	2,137	6,262
Space costs	22,980	23,744	46,724
Travel	17,432	8,982	26,414
Contractual	8	7,851	7,859
Supplies and materials	12,685	8,926	21,611
Client services	107,167	83,792	190,959
Equipment	-	16,124	16,124
Other	12,351	17,051	29,402
Subtotal	404,129	419,423	823,552
Indirect costs	30,244	37,803	68,047
Total Expenditures	<u>434,373</u>	<u>457,226</u>	<u>891,599</u>
Change in net assets	(150,200)	211,621	61,421
Net assets, beginning of year	150,200	-	150,200
Net assets, end of year	<u>\$ -</u>	<u>\$ 211,621</u>	<u>\$ 211,621</u>
Analysis of Net Assets:			
CSBG programs	\$ -	\$ 211,621	\$ 211,621
Nongrant funds - temporarily restricted	2,848	-	2,848
	<u>\$ 2,848</u>	<u>\$ 211,621</u>	<u>\$ 214,469</u>

**ACTION PATHWAYS, INC.**

**STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – BUDET AND ACTUAL –  
NON-GAAP (CONTINUED)  
COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBER 32184**

*SIX MONTHS ENDED DECEMBER 31, 2016 AND JUNE 30, 2017*

	Six Months Ended December 31, 2016	Six Months Ended June 30, 2017	Total	Budget	Variance Favorable (Unfavorable)
Public Support, Government Grants, and Revenues:					
Donations	\$ 100	\$ 200	300	\$ -	\$ 300
Interest income	13	19	32	-	32
Government Grants:					
Federal pass-through	453,456	283,954	737,410	901,205	(163,795)
Total Public Support, Government Grants, and Revenues	<u>453,569</u>	<u>284,173</u>	<u>737,742</u>	<u>901,205</u>	<u>(163,463)</u>
Expenditures:					
Direct Costs:					
Salaries and wages	130,106	175,309	305,415	352,770	47,355
Fringe benefits	35,724	52,072	87,796	134,470	46,674
Communications	2,704	4,125	6,829	11,154	4,325
Space costs	22,118	22,980	45,098	51,951	6,853
Travel	10,730	17,432	28,162	37,341	9,179
Contractual	4,529	8	4,537	9,579	5,042
Supplies and materials	6,435	12,685	19,120	19,120	-
Client Services	50,350	107,167	157,517	172,472	14,955
Other	13,586	12,351	25,937	35,712	9,775
Subtotal	276,282	404,129	680,411	824,569	144,158
Indirect costs	27,087	30,244	57,331	76,636	19,305
Total Expenditures	<u>303,369</u>	<u>434,373</u>	<u>737,742</u>	<u>901,205</u>	<u>163,463</u>
Change in net assets	150,200	(150,200)	-	\$ -	\$ -
Net assets, beginning of year	-	2,848	2,848		
Net assets, end of year	<u>\$ 150,200</u>	<u>\$ (147,352)</u>	<u>\$ 2,848</u>		
Analysis of Net Assets:					
Nongrant funds - temporarily restricted	\$ -	\$ 2,848	\$ 2,848		
Total Analysis of Net Assets	<u>\$ -</u>	<u>\$ 2,848</u>	<u>\$ 2,848</u>		

**ACTION PATHWAYS, INC.**

**STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES –  
 BUDET AND ACTUAL – NON-GAAP  
 COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBER 33627**

*YEAR ENDED DECEMBER 31, 2017*

*(GRANT PERIOD JULY 1, 2016 THROUGH JUNE 30, 2017)*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Support, Government Grants, and Revenues:			
Direct - donations	\$ -	\$ -	\$ -
Interest income	-	29	29
Government grants:			
Federal pass through	<u>1,269,715</u>	<u>668,818</u>	<u>(600,897)</u>
Total Public Support, Government Grants, and Revenues	<u>1,269,715</u>	<u>668,847</u>	<u>(600,868)</u>
Expenditures:			
Direct Costs:			
Salaries and wages	535,775	193,376	342,399
Fringe benefits	201,048	57,440	143,608
Communications	21,108	2,137	18,971
Space costs	67,583	23,744	43,839
Travel	53,219	8,982	44,237
Contractual	7,184	7,851	(667)
Supplies and materials	21,600	8,926	12,674
Client services	179,830	83,792	96,038
Equipment	63,500	16,124	47,376
Other	2,892	17,051	(14,159)
Subtotal	<u>1,153,739</u>	<u>419,423</u>	<u>734,316</u>
Indirect cost	<u>115,976</u>	<u>37,803</u>	<u>78,173</u>
Total Expenditures	<u>1,269,715</u>	<u>457,226</u>	<u>812,489</u>
Change in net assets	<u>\$ -</u>	211,621	<u>\$ 211,621</u>
Net assets, July 1, 2017		<u>2,848</u>	
Net assets, December 31, 2017		<u>\$ 214,469</u>	
Analysis of net assets:			
CSBG programs		\$ 211,621	
Nongrant funds - temporarily restricted		<u>2,848</u>	
Total Net Assets		<u>\$ 214,469</u>	

**ACTION PATHWAYS, INC.**

**STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP  
WEATHERIZATION, HARRP, AND LIHEAP PROGRAMS CONTRACT NUMBER 6514**

*YEAR ENDED DECEMBER 31, 2017*

*(GRANT PERIOD JULY 1, 2016 THROUGH JUNE 30, 2017)*

	<b>Six Months Ended December 31, 2016</b>	<b>Six Months Ended June 30, 2017</b>	<b>Total</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>WEATHERIZATION</b>					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ 550	\$ -	\$ 550	\$ -	\$ 550
Grant funds:					
Total grant	188,243	242,065	430,308	430,858	(550)
Reduction for unexpended grant funds	-	(16,605)	(16,605)	-	(16,605)
Total Public Support, Government Grants, and Revenues	<u>188,793</u>	<u>225,460</u>	<u>414,253</u>	<u>430,858</u>	<u>(16,605)</u>
Expenditures:					
Administration	7,876	7,192	15,068	21,456	6,388
Training and technical assistance	8,037	63,422	71,459	71,768	309
Health and safety	25,677	21,649	47,326	56,240	8,914
Program operations	<u>114,321</u>	<u>166,079</u>	<u>280,400</u>	<u>281,394</u>	<u>994</u>
Total Expenditures	<u>155,911</u>	<u>258,342</u>	<u>414,253</u>	<u>430,858</u>	<u>16,605</u>
Change in net assets	<u>\$ 32,882</u>	<u>\$ (32,882)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>HARRP</b>					
Public Support, Government Grants, and Revenues:					
Grant funds:					
Total grant	\$ 43,885	\$ 460,623	\$ 504,508	\$ 504,508	\$ -
Reduction for unexpended grant funds	-	(21,174)	(21,174)	-	(21,174)
Total Public Support, Government Grants, and Revenues	<u>43,885</u>	<u>439,449</u>	<u>483,334</u>	<u>504,508</u>	<u>(21,174)</u>
Expenditures:					
Administration	5,115	4,788	9,903	17,062	7,159
Program operations	<u>38,770</u>	<u>434,661</u>	<u>473,431</u>	<u>487,446</u>	<u>14,015</u>
Total Expenditures	<u>43,885</u>	<u>439,449</u>	<u>483,334</u>	<u>504,508</u>	<u>21,174</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP (CONTINUED)**  
**WEATHERIZATION, HARRP, AND LIHEAP PROGRAMS CONTRACT NUMBER 6514***YEAR ENDED DECEMBER 31, 2017**(GRANT PERIOD JULY 1, 2016 THROUGH JUNE 30, 2017)*

	<b>Six Months Ended December 31, 2016</b>	<b>Six Months Ended June 30, 2017</b>	<b>Total</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
LIHEAP					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ 275	\$ -	\$ 275	\$ -	\$ 275
Grant funds:					
Total grant	362,420	728,360	1,090,780	1,091,055	(275)
Reduction for unexpended grant funds	-	(4,343)	(4,343)	-	(4,343)
Total Public Support, Government Grants, and Revenues	<u>362,695</u>	<u>724,017</u>	<u>1,086,712</u>	<u>1,091,055</u>	<u>4,343</u>
Expenditures:					
Administration	33,593	4,166	37,759	37,759	-
Program operations	305,839	609,860	915,699	916,293	594
Health & Safety	<u>23,263</u>	<u>109,991</u>	<u>133,254</u>	<u>137,003</u>	<u>3,749</u>
Total Expenditures	<u>362,695</u>	<u>724,017</u>	<u>1,086,712</u>	<u>1,091,055</u>	<u>4,343</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **OTHER DATA**

**ACTION PATHWAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION – NON-GAAP**  
**SECOND HARVEST FOOD BANK OF SOUTHEAST NC (UNAUDITED)**

DECEMBER 31, 2017

**ASSETS**

Current Assets:

Cash	\$ 127,979
Accounts receivable	65,952
Grants receivable	223,146
Prepaid expenses	9,976
<b>Total Assets</b>	<b>\$ 427,053</b>

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$ 33,939
Accrued salaries	8,019
Accrued vacation	27,005
Grant refunds payable	17,286
Deferred revenue	96,738

Long-Term Liabilities:

Due to other funds	38,970
<b>Total Liabilities</b>	<b>221,957</b>

Net Assets:

Unrestricted	205,096
<b>Total Net Assets</b>	<b>205,096</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 427,053</b>



**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES –  
NON-GAAP  
SECOND HARVEST FOOD BANK OF SOUTHEAST NC (UNAUDITED)***YEAR ENDED DECEMBER 31, 2017*

---

**Public Support and Revenues:****Grant Assistance:**

Federal and federal pass through	\$	118,380
State		622,598
Local		78,782
Other		246,558
Total Grants Assistance		<u>1,066,318</u>

**Donations:**

Cash		587,934
Food		<u>19,717,528</u>
Total Donations		<u>20,305,462</u>

**Fees:**

Shared maintenance		509,038
Dues		<u>13,340</u>
Total Fees		<u>522,378</u>

**Other**

		<u>14,160</u>
Total Public Support and Revenues		<u>21,908,318</u>

**Expenditures:****Administration:**

Personnel		68,667
Payroll taxes		6,764
Fringe benefits		15,836
Supplies		2,241
Contractual and space		5,794
Indirect		86,168
Other		<u>20,678</u>
Total Administration		<u>206,148</u>

**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT AND REVENUE AND FUNCTIONAL EXPENDITURES –  
NON-GAAP (CONTINUED)  
SECOND HARVEST FOOD BANK OF SOUTHEAST NC (UNAUDITED)***YEAR ENDED DECEMBER 31, 2017*

## Expenditures (continued):

## Operating:

Personnel	\$	343,334
Payroll taxes		30,918
Fringe benefits		79,465
Travel		8,016
Supplies		39,411
Contractual and space		125,884
Food purchases		651,458
Donated food - distributed		17,607,177
Spoilage		308,949
Other		488,485
Total Operating		<u>19,683,097</u>

## Fundraising:

Personnel		45,778
Payroll taxes		4,187
Fringe benefits		10,589
Supplies		4,628
Contractual and space		14,631
Other		32,143
Total Fundraising		<u>111,956</u>
Total Expenditures		<u>20,001,201</u>
Adjustment to Net Assets	\$	<u>1,907,117</u>

## **COMPLIANCE SECTION**

**Report of Independent Auditor on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Board of Directors  
Action Pathways, Inc.  
Fayetteville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Action Pathways, Inc. (the "Organization") which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expense, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 25, 2018.

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

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

Cherry Burch LLP

Fayetteville, North Carolina  
June 25, 2018

## **Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance Required by the Uniform Guidance**

Board of Directors  
Action Pathways, Inc.  
Fayetteville, North Carolina

### **Report on Compliance for Each Major Federal Program**

We have audited Action Pathways, 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 each of the Organization's major federal programs for the year ended December 31, 2017. The Organization'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 (CFR) 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, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the *summary of auditor's results* section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2017.

### **Report on Internal Control over Compliance**

Management of the Organization 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 each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

*Cherry Roubert LLP*

Fayetteville, North Carolina  
June 25, 2018

**ACTION PATHWAYS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2017

---

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?                     yes       no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?                     yes       none reported
- Noncompliance material to financial statements noted?                     yes       no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?                     yes       no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?                     yes       none reported
- Noncompliance material to federal awards noted?                     yes       no

Type of auditor’s report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the OMB Uniform Guidance?                     yes       no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Program Name</u>
93.569	Community Services Block Grant
Head Start Cluster	
93.600	Head Start
93.600	Early Head Start Child Care Partnership

Dollar threshold used to distinguish between Type A and Type B programs:                    \$ 750,000

Auditee qualified as low-risk auditee?                     yes       no



**ACTION PATHWAYS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*YEAR ENDED DECEMBER 31, 2017*

---

**Section II – Financial Statement Findings**

None reported

**Section III – Federal Award Findings and Questioned Costs**

None reported

**ACTION PATHWAYS, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

*YEAR ENDED DECEMBER 31, 2017*

---

There were no findings reported in the prior year audit of the basic financial statements, findings, and questioned costs.

**ACTION PATHWAYS, INC.****SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

YEAR ENDED DECEMBER 31, 2017

<b>Federal Grantor/Nonfederal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal and State Expenditures</b>	<b>In-kind Program Income and Other Local Expenditures</b>
U.S. Department of Health and Human Services			
Head Start	93.600	\$ 9,141,944	\$ 2,098,035
Early Head Start Child Care Partnership	93.600	1,375,370	24,334
Passed through N.C. Department of Health and Human Services			
Community Services Block Grant	93.569	891,553	-
Low-Income Home Energy Assistance Program - Heating and Air Repair and Replacement Program	93.568	569,411	-
Low-Income Home Energy Assistance Program - Weatherization	93.568	956,517	275
Total Department of Health and Human Services		<u>12,934,795</u>	<u>2,122,644</u>
U.S. Department of Agriculture:			
Passed through N.C. Department of Health and Human Services:			
Child and Adult Care Food Program	10.558	<u>721,537</u>	<u>-</u>
Food Distribution Cluster:			
Noncash Assistance (Food commodities)			
Passed through N.C. Department of Agriculture			
Commodity Supplemental Food Program (Food commodities)	10.565	22,824	-
Emergency Food Assistance Program (Food commodities)	10.569	1,623,892	-
Noncash Assistance		<u>1,646,716</u>	<u>-</u>
Cash Assistance:			
Passed through N.C. Department of Health and Human Services			
Commodity Senior Food Program (Administrative costs)	10.568	20,758	-
Emergency Food Assistance Program (Administrative costs)	10.568	150,781	-
Cash Assistance		<u>171,539</u>	<u>-</u>
Total Food Distribution Cluster		<u>1,818,255</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>2,539,792</u>	<u>-</u>
U.S. Department of Energy:			
Weatherization Assistance Program for Low Income Persons	81.042	<u>418,577</u>	<u>1,375</u>
Total U.S. Department of Energy		<u>418,577</u>	<u>1,375</u>

**ACTION PATHWAYS, INC.****SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)**

YEAR ENDED DECEMBER 31, 2017

<b>Federal Grantor/Nonfederal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal and State Expenditures</b>	<b>In-kind Program Income and Other Local Expenditures</b>
U.S. Department of Housing and Urban Development: Housing Counseling Assistance Program	14.169	\$ 38,058	\$ -
CDBG Entitlement Grants Cluster:			
Passed through City of Goldsboro:			
Community Development Block Grant/Entitlement Grants	14.218	4,900	-
Passed through City of Fayetteville:			
Community Development Block Grant/Entitlement Grants	14.218	5,270	-
Total CDBG Entitlement Grants Cluster		<u>10,170</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>48,228</u>	<u>-</u>
U.S. Department of Treasury:			
Internal Revenue Service - VITA Matching Grant	21.009	<u>141,558</u>	<u>668,994</u>
Neighborhood Works America:			
Passed through N.C. Housing Finance Agency			
Foreclosure Counseling Mitigation Program	21.000	<u>12,960</u>	<u>-</u>
Department of Homeland Security:			
Federal Emergency Management Agency			
Passed through Alliance Behavioral Healthcare			
Crisis Counseling	97.032	<u>326,531</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>16,422,441</u>	<u>2,793,013</u>
State of N.C. grant programs:			
State Nutrition Assistance Grant	Contract # 34645	<u>521,810</u>	<u>74,017</u>
Total Expenditures of State Awards		<u>521,810</u>	<u>74,017</u>
Total Expenditures of Federal and State Awards		<u>\$ 16,944,251</u>	<u>\$ 2,867,030</u>

## **ACTION PATHWAYS, INC.**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED DECEMBER 31, 2017*

---

#### **Note 1—Basis of presentation**

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state award activity of Action Pathways, Inc. (the “Organization”) under programs of the federal and state government for the year ended December 31, 2017. 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 Action Pathways, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Action Pathways, Inc. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 2—In-kind contributions**

In-kind, program income, and other local expenditures includes in-kind contributions of \$2,867,030. Donated services not meeting the provisions of GAAP (those not requiring specific expertise), valued at \$678,076 for the year ended December 31, 2017 is eliminated for financial statement purposes.

#### **Note 3—Food commodities**

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received. At December 31, 2017, the Organization had food commodities totaling \$2,143 in inventory.

#### **Note 4—Indirect costs**

During the year ended December 31, 2017, the Organization did not elect to use the 10% de minimis cost rate for charging indirect costs to the grants.