

ACTION PATHWAYS, INC.
FAYETTEVILLE, NORTH CAROLINA

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

*As of and for the Year Ended December 31, 2018
(With Comparative Totals for December 31, 2017)*

And Report of Independent Auditor

ACTION PATHWAYS, INC.

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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, 2018, 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, 2018 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 2017 financial statements, and our report dated June 25, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Changes in Financial Statement Presentation

As discussed in Note 2, the Organization adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statement of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

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 17, 2019, 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 17, 2019

ACTION PATHWAYS, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
ASSETS		
Current Assets:		
Cash	\$ 1,705,985	\$ 1,081,863
Investments	719,637	784,101
Accounts receivable	332,998	387,302
Grants receivable	1,732,505	1,767,915
Inventories	4,107	6,718
Prepaid expenses	128,576	130,471
Security deposits	7,707	7,707
Total Current Assets	4,631,515	4,166,077
Property and equipment, net	5,703,648	5,414,391
Total Assets	\$ 10,335,163	\$ 9,580,468
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of long-term debt	\$ 101,737	\$ 96,626
Accounts payable	416,021	579,391
Accrued salaries	155,432	135,079
Accrued vacation	247,832	247,529
Grant refunds payable	126,621	135,141
Deferred revenue	169,604	102,483
Total Current Liabilities	1,217,247	1,296,249
Long-Term Liabilities:		
Noncurrent portion of long-term debt	776,873	886,312
Total Liabilities	1,994,120	2,182,561
Net Assets:		
Without donor restrictions	8,189,843	7,106,571
With donor restrictions	151,200	291,336
Total Net Assets	8,341,043	7,397,907
Total Liabilities and Net Assets	\$ 10,335,163	\$ 9,580,468

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

YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

	Without Donor Restrictions	With Donor Restrictions	2018	2017
Public Support and Revenues:				
Contributions	\$ 1,232,839	\$ -	\$ 1,232,839	\$ 588,555
Federal financial assistance	10,660,335	3,132,686	13,793,021	14,813,753
State financial assistance	1,511,265	-	1,511,265	548,541
Local grants	51,045	-	51,045	84,287
Other grants	351,294	-	351,294	296,374
Donated services, materials, and space	1,477,740	-	1,477,740	2,187,344
Program fees and other	607,624	-	607,624	787,704
Contract services	1,002,352	-	1,002,352	1,303,767
Rent	42,716	-	42,716	59,031
Investment income (loss)	(59,254)	-	(59,254)	108,971
Interfund charges	1,281,665	-	1,281,665	1,298,116
Total Public Support and Revenues	18,159,621	3,132,686	21,292,307	22,076,443
Net Assets Released from Restrictions:				
Satisfaction of program restrictions:				
Community Services	740,045	(740,045)	-	-
Low Income Housing	2,532,777	(2,532,777)	-	-
Total Net Assets Released	3,272,822	(3,272,822)	-	-
Total Public Support and Revenue	21,432,443	(140,136)	21,292,307	22,076,443
Expenses:				
Program Services:				
Early Childhood Development	13,059,926	-	13,059,926	13,630,788
Community Services	3,119,325	-	3,119,325	3,983,727
Low Income Housing	2,784,480	-	2,784,480	2,211,214
Total Program Services	18,963,731	-	18,963,731	19,825,729
Supporting Services:				
Management and Administration	1,385,440	-	1,385,440	1,321,434
Total Supporting Services	1,385,440	-	1,385,440	1,321,434
Total Expenses	20,349,171	-	20,349,171	21,147,163
Increase (decrease) in net assets	1,083,272	(140,136)	943,136	929,280
Net assets, beginning of year	7,106,571	291,336	7,397,907	6,468,627
Net assets, end of year	\$ 8,189,843	\$ 151,200	\$ 8,341,043	\$ 7,397,907

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, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

	Program Services			Supporting Services	2018	2017
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration		
Expenditures:						
Salaries and wages	\$ 5,143,997	\$ 867,115	\$ 402,642	\$ 773,708	\$ 7,187,462	\$ 7,486,117
Employee taxes and benefits	1,963,934	281,427	125,377	209,613	2,580,351	2,633,772
Travel	71,636	26,846	41,402	5,128	145,012	180,466
Property and equipment	81	14,248	1,594	1,085	17,008	15,743
Mortgage payments	22,271	20,543	-	335	43,149	47,842
Supplies	353,448	71,932	18,654	21,853	465,887	603,572
Contractual	960,184	65,184	799,301	86,728	1,911,397	1,838,310
Communications	225,747	108,320	17,290	22,591	373,948	394,922
Leases	196,133	84,087	41,679	15,954	337,853	376,356
Rentals	10,681	17,573	1,268	5,198	34,720	26,534
Insurance	78,227	24,977	13,899	17,809	134,912	136,113
Repairs and maintenance	230,097	103,885	25,490	33,056	392,528	348,669
Client assistance	-	244,022	1,087,545	-	1,331,567	988,474
Food purchases	670,587	614,934	-	1,085	1,286,606	1,318,494
Other	550,860	254,795	91,840	75,373	972,868	944,384
Depreciation and loss on disposal	142,897	76,512	39,164	115,924	374,497	323,766
Local match	1,403,821	73,920	-	-	1,477,741	2,187,344
Indirect	1,035,325	169,005	77,335	-	1,281,665	1,296,285
Total Expenditures	<u>\$ 13,059,926</u>	<u>\$ 3,119,325</u>	<u>\$ 2,784,480</u>	<u>\$ 1,385,440</u>	<u>\$ 20,349,171</u>	<u>\$ 21,147,163</u>

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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 943,136	\$ 929,280
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	374,497	320,522
Loss on disposal of fixed assets	-	3,244
Realized and unrealized (gain) loss on investments	75,629	(93,243)
(Increase) decrease in operating assets:		
Accounts receivable	54,305	283,445
Grants receivable	35,411	(517,648)
Inventories	2,611	3,875
Prepaid expenses	1,895	118,137
Increase (decrease) in operating liabilities:		
Accounts payable	(161,698)	120,184
Accrued salaries	23,892	3,273
Accrued vacation	2,643	6,337
Grant refunds payable	(16,073)	8,520
Deferred revenue	67,121	(59,974)
Net cash from operating activities	<u>1,403,369</u>	<u>1,125,952</u>
Cash flows from investing activities:		
Expended for property and equipment	(663,755)	(914,740)
Proceeds for sales of investments	329,433	228,823
Purchase of investments	(340,598)	(238,082)
Net cash from investing activities	<u>(674,920)</u>	<u>(923,999)</u>
Cash flows from financing activities:		
Repayment of notes payable	(104,327)	(99,621)
Net cash from financing activities	<u>(104,327)</u>	<u>(99,621)</u>
Net increase in cash	624,122	102,332
Cash, beginning of year	1,081,863	979,531
Cash, end of year	<u>\$ 1,705,985</u>	<u>\$ 1,081,863</u>
Supplemental disclosure of cash payments for interest	<u>\$ 42,812</u>	<u>\$ 47,842</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, 2018

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

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as with and without donor restrictions.

Net assets without donor restrictions – These include net assets balances that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – These include net assets balances that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions - Unconditional contributions or support are recognized when pledged or awarded and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises or support are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions or grant awards restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Functional expenses – 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 the natural expense classification.

ACTION PATHWAYS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

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.

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, 2018, the collected balances at two financial institution exceeded FDIC coverage by a total of \$1,043,068.

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.

ACTION PATHWAYS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

During the year ended December 31, 2018, the Second Harvest Food Bank of Southeast North Carolina received approximately 14,414,049 pounds of donated food and distributed approximately 13,591,668 pounds of the donated food to member agencies. The donated food was valued at \$1.68 per pound and, therefore, amounts to \$24,215,602 received and \$22,834,002 distributed during the year. Of the \$22,834,002 distributed, \$1,791,528 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

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 support with donor restrictions 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.

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 with donor restrictions 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 \$91,233 for Head Start for the year ended December 31, 2018 is eliminated for financial statement purposes.

Second Harvest Food Bank of Southeast North Carolina benefited from approximately 19,311 hours of volunteer labor in association with the local County Workers Project for the year ended December 31, 2018. Donated services not meeting the provisions of GAAP (those not requiring specific expertise), valued at \$467,133 for the year ended December 31, 2018 were not recorded for financial statement purposes.

ACTION PATHWAYS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

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 2018 as determined by the Organization is 14.5%.

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

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, 2018 was \$123,167.

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, 2018 was approximately \$17,658.

New Accounting Pronouncement – On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Consideration of Future Accounting Principle Changes – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2017, for public business entities and not-for-profit entities that have issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market. The Organization has not yet selected a transition method and is currently evaluating the effect the standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments should be applied on a modified prospective basis. Under a modified prospective basis, in the first set of financial statements following the effective date, the amendments should be applied to agreements that are either not completed as of the effective date or entered into after the effective date. Retrospective application is permitted. This ASU is effective for annual reporting periods beginning after December 15, 2017, for not-for-profit entities that have issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market. The Organization is currently evaluating the effect the standard will have on the financial statements.

ACTION PATHWAYS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of the lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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. 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.
- *Reentry* – This program is designed to assist formerly incarcerated individuals with a successful transition into their communities.

ACTION PATHWAYS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 3—Liquidity and availability

As of December 31, 2018, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one-year of the balance sheet date to meet general expenditures:

Financial assets held at year-end:

Cash and cash equivalents	\$ 1,705,985
Investments	719,637
Accounts receivable	332,998
Grants receivable	<u>1,732,505</u>
	4,491,125
Less: Donor restrictions	<u>(151,200)</u>
Financial assets available to meet expenditures over the next 12 months	<u><u>\$ 4,339,925</u></u>

The Organization has certain donor-restricted assets limited to use which are available for expenditure within one-year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial asset to meet general expenditures within one year. The Organization has assets limited to use for donor-restricted purposes. These assets are not available for general expenditure within the next year.

Note 4—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, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 17,880	\$ -	\$ 17,880
Mutual funds	<u>701,757</u>	<u>-</u>	<u>-</u>	<u>701,757</u>
	<u><u>\$ 701,757</u></u>	<u><u>\$ 17,880</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 719,637</u></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, 2018

Note 5—Property and equipment

Property and equipment activity for the year ended December 31, 2018 was as follows:

	December 31, 2017			December 31, 2018
	Beginning Balance	Additions	Disposals	Ending Balances
By asset type:				
Land	\$ 509,732	\$ -	\$ -	\$ 509,732
Vehicles	2,054,964	627,252	-	2,682,216
Equipment, furniture, and fixtures	2,070,930	15,902	-	2,086,832
Buildings and improvements	6,389,400	20,600	-	6,410,000
	<u>11,025,026</u>	<u>663,754</u>	<u>-</u>	<u>11,688,780</u>
By functions:				
CCCS	51,805	-	-	51,805
Head Start	4,750,521	576,469	-	5,326,990
State Child Development Programs	2,978,728	-	-	2,978,728
USDA	12,166	-	-	12,166
CSBG	205,136	28,343	-	233,479
Family Self-Sufficiency	2,870	-	-	2,870
Early Head Start Partnership	73,120	-	-	73,120
Home Investment Partnership Program	674,060	-	-	674,060
Weatherization	63,081	-	-	63,081
Ways and Means	20,500	-	-	20,500
Second Harvest Food Bank	1,421,918	20,600	-	1,442,518
Weatherization - ARRA	152,897	22,440	-	175,337
Corporate	618,224	15,902	-	634,126
	<u>11,025,026</u>	<u>663,754</u>	<u>-</u>	<u>11,688,780</u>
Accumulated depreciation	5,610,635	\$ 374,497	\$ -	5,985,132
Net Book Value	<u>\$ 5,414,391</u>			<u>\$ 5,703,648</u>

ACTION PATHWAYS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 6—Long-term debt

Long-term debt at December 31, 2018 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.	\$ 440,220
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.	438,390
	<u>878,610</u>
Less current portion	101,737
	<u>\$ 776,873</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>
2019	\$ 41,238	\$ 60,499	\$ 101,737
2020	43,637	63,363	107,000
2021	46,320	66,466	112,786
2022	49,094	69,668	118,762
2023	52,034	73,031	125,065
Thereafter	206,066	107,194	313,260
	<u>\$ 438,389</u>	<u>\$ 440,221</u>	<u>\$ 878,610</u>

Interest expense for the year ended December 31, 2018 was approximately \$42,800.

Note 7—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, 2018.

ACTION PATHWAYS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 8—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, 2018 was \$337,854.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2018 are as follows:

Years Ending December 31,

2019	\$ 44,747
2020	6,534
2021	2,723
	<u>\$ 54,004</u>

Note 9—Net assets with donor restrictions

Net assets at with donor restrictions at December 31, 2018 are available for the following purposes:

Early Childhood Development programs	\$ 1,091
Community Services programs	117,227
Low Income Housing programs	32,882
	<u>\$ 151,200</u>

Note 10—Contingencies

The Organization receives funds from several federal and state grants, which are approximately 72% 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 \$126,621 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 11—Subsequent events

The Organization has evaluated subsequent events through June 17, 2019, 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, 2018

	Program Services			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	Property and Equipment		
ASSETS							
Current Assets:							
Cash	\$ 639,671	\$ 1,376,987	\$ 109,386	\$ 755,321	\$ -	\$ (1,175,380)	\$ 1,705,985
Investments	-	-	-	719,637	-	-	719,637
Accounts receivable	192,837	41,058	31,276	67,827	-	-	332,998
Grants receivable	1,218,946	169,476	344,083	-	-	-	1,732,505
Inventories	4,107	-	-	-	-	-	4,107
Prepaid expenses	84,462	11,568	7,534	25,012	-	-	128,576
Security deposits	2,000	4,812	838	57	-	-	7,707
Property and Equipment	-	-	-	-	5,703,648	-	5,703,648
Other Assets:							
Due from other funds	7,662	38,970	-	-	-	(46,632)	-
Total Assets	\$ 2,149,685	\$ 1,642,871	\$ 493,117	\$ 1,567,854	\$ 5,703,648	\$ (1,222,012)	\$ 10,335,163
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Temporary bank overdraft payable	\$ 909,966	\$ 32,318	\$ 233,096	\$ -	\$ -	\$ (1,175,380)	\$ -
Current portion of long-term debt	-	-	-	-	101,737	-	101,737
Accounts payable	177,033	144,144	59,981	34,863	-	-	416,021
Accrued salaries	112,676	15,377	8,341	19,038	-	-	155,432
Accrued vacation	139,568	36,641	22,118	49,505	-	-	247,832
Grant refunds payable	10,366	89,139	27,116	-	-	-	126,621
Deferred revenue	-	169,604	-	-	-	-	169,604
Long-Term Liabilities:							
Long-term debt	-	-	-	-	776,873	-	776,873
Due to other funds	-	38,970	7,662	-	-	(46,632)	-
Total Liabilities	1,349,609	526,193	358,314	103,406	878,610	(1,222,012)	1,994,120
Net Assets:							
Without donor restrictions	798,985	999,451	101,921	1,464,448	4,825,038	-	8,189,843
With donor restrictions	1,091	117,227	32,882	-	-	-	151,200
Total Net Assets	800,076	1,116,678	134,803	1,464,448	4,825,038	-	8,341,043
Total Liabilities and Net Assets	\$ 2,149,685	\$ 1,642,871	\$ 493,117	\$ 1,567,854	\$ 5,703,648	\$ (1,222,012)	\$ 10,335,163

ACTION PATHWAYS, INC.

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

YEAR ENDED DECEMBER 31, 2018

	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	\$ -	\$ 1,232,599	\$ -	\$ 240	\$ -	\$ -	\$ 1,232,839
Grant assistance:							
Federal and Federal pass-through	10,657,885	635,255	2,499,881	-	-	-	13,793,021
State	669,441	841,824	-	-	-	-	1,511,265
Local	4,500	29,589	16,956	-	-	-	51,045
Other	-	351,294	-	-	-	-	351,294
Other revenues:							
Program fees	110,328	379,827	4,633	-	-	-	494,788
Contract services	813,000	14,550	174,802	-	-	-	1,002,352
Rent	-	4,800	37,916	-	-	-	42,716
Indirect	-	-	-	1,281,665	-	-	1,281,665
Investment income (loss)	-	82	-	(59,336)	-	-	(59,254)
Local match	1,495,054	73,919	-	-	-	(91,233)	1,477,740
Other	93,811	9,017	7,832	2,176	869,812	(869,812)	112,836
Total Public Support and Revenues	13,844,019	3,572,756	2,742,020	1,224,745	869,812	(961,045)	21,292,307
Expenditures:							
Salaries and wages	5,143,997	867,115	402,642	773,708	-	-	7,187,462
Employee taxes and benefits	1,963,934	281,427	125,377	209,613	-	-	2,580,351
Travel	71,636	26,846	41,402	5,128	-	-	145,012
Property and equipment	576,550	42,591	24,034	1,085	-	-	644,260
Mortgage payments	80,376	66,763	-	335	-	-	147,474
Supplies	353,448	71,932	18,654	21,853	-	-	465,887
Contractual	960,184	65,184	799,301	86,728	-	-	1,911,397
Communications	225,747	108,320	17,290	22,591	-	-	373,948
Leases	196,133	84,087	41,679	15,954	-	-	337,853
Rentals	10,681	17,573	1,268	5,198	-	-	34,720
Insurance	78,227	24,977	13,899	17,809	-	-	134,912

ACTION PATHWAYS, INC.

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

(CONTINUED)

ALL PROGRAMS

YEAR ENDED DECEMBER 31, 2018

	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	\$ 230,097	\$ 124,485	\$ 25,490	\$ 48,959	\$ -	\$ -	\$ 429,031
Client assistance	-	244,022	1,087,545	-	-	-	1,331,567
Food purchases	670,587	614,934	-	1,085	-	-	1,286,606
Depreciation	-	-	-	-	374,497	(374,497)	-
Local match - noncash	1,495,054	73,920	-	-	-	(91,233)	1,477,741
Indirect	1,035,325	169,005	77,335	-	-	-	1,281,665
Other	550,860	254,795	91,840	75,373	-	-	972,868
Loss on disposal of assets	-	-	-	-	101,730	(101,730)	-
Total Expenditures	13,642,836	3,137,976	2,767,756	1,285,419	476,227	(567,460)	20,742,754
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
Change in net assets before adjustments to convert to expenses to GAAP	201,183	434,780	(25,736)	(60,674)	393,585	(393,585)	549,553
Adjustments to Convert to Expenses to GAAP:							
Deduct property and equipment purchases	(678,199)	(48,943)	(22,440)	(15,903)	101,730	-	(663,755)
Deduct mortgage principal payments	(58,105)	(46,220)	-	-	-	-	(104,325)
Add depreciation expense	244,627	76,512	39,164	14,194	-	-	374,497
Total Expenses	13,151,159	3,119,325	2,784,480	1,283,710	577,957	(567,460)	20,349,171
Change in net assets after adjustments to convert to GAAP	\$ 692,860	\$ 453,431	\$ (42,460)	\$ (58,965)	\$ 291,855	\$ (393,585)	\$ 943,136

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

YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administrative	Property and Equipment		
Cash flows from operating activities:							
Change in net assets before adjustments to GAAP	\$ 201,183	\$ 434,780	\$ (25,736)	\$ (60,674)	\$ 393,585	\$ (393,585)	\$ 549,553
Adjustments to reconcile change in net assets from operating activities:							
Realized and unrealized loss on investments	-	-	-	75,629	-	-	75,629
(Increase) decrease in operating assets:							
Accounts receivable	35,438	36,806	(22,605)	4,666	-	-	54,305
Grants receivable	(258,174)	370,513	(76,928)	-	-	-	35,411
Inventory	2,611	-	-	-	-	-	2,611
Prepaid expenses	(3,192)	7,159	1,837	(3,909)	-	-	1,895
Due from other funds	(5,555)	-	-	-	-	-	(5,555)
Increase (decrease) in operating liabilities:							
Temporary bank overdraft payable	909,966	32,318	233,096	-	-	(1,175,380)	-
Accounts payable	(193,447)	98,497	7,927	(74,677)	-	-	(161,700)
Accrued salaries	20,238	(1,749)	2,879	2,524	-	-	23,892
Accrued vacation	12,668	(10,581)	7,587	(7,031)	-	-	2,643
Grants refunds payable	-	(16,073)	-	-	-	-	(16,073)
Deferred revenue	-	72,866	(5,745)	-	-	-	67,121
Due to other funds	-	-	5,555	-	-	-	5,555
Net cash from operating activities	<u>721,736</u>	<u>1,024,536</u>	<u>127,867</u>	<u>(63,472)</u>	<u>393,585</u>	<u>(1,568,965)</u>	<u>635,287</u>
Cash flows to investing activities:							
Proceeds from sale of investments	-	-	-	329,433	-	-	329,433
Purchase of investments	-	-	-	(340,598)	-	-	(340,598)
Net cash to investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,165)</u>	<u>-</u>	<u>-</u>	<u>(11,165)</u>
Net change in cash before adjustments to GAAP	721,736	1,024,536	127,867	(74,637)	393,585	(1,568,965)	624,122
Adjustments to convert to expenses to GAAP:							
Deduct property and equipment purchases	-	-	-	-	(663,755)	663,755	-
Deduct mortgage principal payments	-	-	-	-	(104,327)	104,327	-
Add depreciation expense	-	-	-	-	374,497	(374,497)	-
Total Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(393,585)</u>	<u>393,585</u>	<u>-</u>
Net change in cash	721,736	1,024,536	127,867	(74,637)	-	(1,175,380)	624,122
Cash, beginning of year	(82,065)	352,451	(18,481)	829,958	-	-	1,081,863
Cash, end of year	<u>\$ 639,671</u>	<u>\$ 1,376,987</u>	<u>\$ 109,386</u>	<u>\$ 755,321</u>	<u>\$ -</u>	<u>\$ (1,175,380)</u>	<u>\$ 1,705,985</u>

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

DECEMBER 31, 2018

	Head Start Program	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
ASSETS					
Current Assets:					
Cash	\$ -	\$ -	\$ -	\$ 639,671	\$ 639,671
Accounts receivable	19,990	6	6	172,835	192,837
Grants receivable	827,870	173,972	217,104	-	1,218,946
Inventories	-	-	4,107	-	4,107
Prepaid expenses	71,751	3,890	1,294	7,527	84,462
Security deposits	2,000	-	-	-	2,000
Other Assets:					
Due from other funds	2,287	-	-	5,375	7,662
Total Assets	\$ 923,898	\$ 177,868	\$ 222,511	\$ 825,408	\$ 2,149,685
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Temporary bank overdraft payable	\$ 642,084	\$ 91,033	\$ 176,849	\$ -	909,966
Accounts payable	53,487	75,487	40,044	8,015	177,033
Accrued salaries	101,015	4,935	1,853	4,873	112,676
Accrued vacation	126,221	6,413	3,765	3,169	139,568
Grant refunds payable	-	-	-	10,366	10,366
Total Liabilities	922,807	177,868	222,511	26,423	1,349,609
Net Assets:					
Without Donor Restrictions	-	-	-	798,985	798,985
With Donor Restrictions	1,091	-	-	-	1,091
Total Net Assets	1,091	-	-	798,985	800,076
Total Liabilities and Net Assets	\$ 923,898	\$ 177,868	\$ 222,511	\$ 825,408	\$ 2,149,685

ACTION PATHWAYS, INC.

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

YEAR ENDED DECEMBER 31, 2018

	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	\$ 9,392,901	\$ 1,264,984	\$ -	\$ -	\$ 10,657,885
State	-	-	669,441	-	669,441
Local	4,500	-	-	-	4,500
Other Revenues:					
Program fees	-	-	110,328	-	110,328
Contract services	-	-	-	813,000	813,000
Local match	1,471,547	23,507	-	-	1,495,054
Other	93,806	-	-	5	93,811
Total Public Support and Revenues	10,962,754	1,288,491	779,769	813,005	13,844,019
Expenditures:					
Salaries and wages	4,490,150	241,539	104,127	308,181	5,143,997
Employee taxes and benefits	1,739,766	63,582	33,408	127,178	1,963,934
Travel	50,842	18,882	-	1,912	71,636
Property and equipment	576,550	-	-	-	576,550
Mortgage payments	80,376	-	-	-	80,376
Supplies	242,102	39,004	47,222	25,120	353,448
Contractual	159,954	794,814	2,577	2,839	960,184
Communications	212,561	6,319	1,535	5,332	225,747
Leases	177,475	5,407	354	12,897	196,133
Rentals	5,236	295	43	5,107	10,681
Insurance	67,933	3,196	1,026	6,072	78,227
Repairs and maintenance	203,320	14,605	2,892	9,280	230,097
Food purchases	112,106	161	558,243	77	670,587
Local match	1,471,547	23,507	-	-	1,495,054
Indirect	907,150	44,517	20,066	63,592	1,035,325
Other	465,686	32,663	8,276	44,235	550,860
Total Expenditures	10,962,754	1,288,491	779,769	611,822	13,642,836
Change in net assets before adjustments to convert to GAAP	\$ -	\$ -	\$ -	\$ 201,183	\$ 201,183

ACTION PATHWAYS, INC.

**COMBINING STATEMENT OF CASH FLOWS – NON-GAAP
EARLY CHILDHOOD DEVELOPMENT PROGRAMS**

YEAR ENDED DECEMBER 31, 2018

	Head Start Program	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
Cash flows from operating activities:					
Change in net assets before adjustments to convert to GAAP	\$ -	\$ -	\$ -	\$ 201,183	\$ 201,183
Adjustments to reconcile change in net assets to net cash from operating activities:					
(Increase) decrease in operating assets:					
Accounts receivable	38,185	(6)	(6)	(2,735)	35,438
Grants receivable	(18,407)	(68,689)	(171,078)	-	(258,174)
Inventories	-	-	2,611	-	2,611
Prepaid expenses	415	(2,096)	(78)	(1,433)	(3,192)
Due from other funds	(2,287)	-	-	(3,268)	(5,555)
Increase (decrease) in operating liabilities:					
Temporary bank overdraft payable	642,084	91,033	176,849	-	909,966
Accounts payable	(191,437)	3,777	(7,174)	1,387	(193,447)
Accrued salaries	24,717	(206)	163	(4,436)	20,238
Accrued vacation	19,682	(2,824)	1,227	(5,417)	12,668
Net cash from operating activities	<u>512,952</u>	<u>20,989</u>	<u>2,514</u>	<u>185,281</u>	<u>721,736</u>
Net change in cash	512,952	20,989	2,514	185,281	721,736
Cash, beginning of year	(512,952)	(20,989)	(2,514)	454,390	(82,065)
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 639,671</u>	<u>\$ 639,671</u>

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

DECEMBER 31, 2018

	Community Services Block Grant Program	Hope4NC	Special Grants	Second Harvest Food Bank of Southeast NC	Reentry	Consumer Credit Counseling Services	Total
ASSETS							
Current Assets:							
Cash	\$ 123,437	\$ -	\$ 16,183	\$ 1,008,628	\$ -	\$ 228,739	\$ 1,376,987
Accounts receivable	15	-	-	35,026	-	6,017	41,058
Grants receivable	38,879	-	-	96,638	33,959	-	169,476
Prepaid expenses	4,390	-	-	7,178	-	-	11,568
Security deposits	4,812	-	-	-	-	-	4,812
Other Assets:							
Due from other funds	38,970	-	-	-	-	-	38,970
Total Assets	\$ 210,503	\$ -	\$ 16,183	\$ 1,147,470	\$ 33,959	\$ 234,756	\$ 1,642,871
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Temporary bank overdraft payable	\$ -	\$ -	\$ -	\$ -	\$ 32,318	\$ -	\$ 32,318
Accounts payable	6,589	-	936	136,479	70	70	144,144
Accrued salaries	3,598	-	-	10,188	1,591	-	15,377
Accrued vacation	3,716	-	-	31,904	1,021	-	36,641
Grant refunds payable	80,373	-	-	8,766	-	-	89,139
Deferred revenue	-	-	-	169,604	-	-	169,604
Long-Term Liabilities:							
Due to other funds	-	-	-	38,970	-	-	38,970
Total Liabilities	94,276	-	936	395,911	35,000	70	526,193
Net Assets:							
Without Donor Restrictions	-	-	14,247	751,559	(1,041)	234,686	999,451
With Donor Restrictions	116,227	-	1,000	-	-	-	117,227
Total Net Assets	116,227	-	15,247	751,559	(1,041)	234,686	1,116,678
Total Liabilities and Net Assets	\$ 210,503	\$ -	\$ 16,183	\$ 1,147,470	\$ 33,959	\$ 234,756	\$ 1,642,871

ACTION PATHWAYS, INC.

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

YEAR ENDED DECEMBER 31, 2018

	Community Services Block Grant Program	Hope4NC	Special Grants	Second Harvest Food Bank of Southeast NC	Reentry	Consumer Credit Counseling Services	Total
Public Support and Revenues:							
Contributions	\$ 689	\$ -	\$ -	\$ 1,231,910	\$ -	\$ -	\$ 1,232,599
Grant assistance:							
Federal and Federal pass-through	632,805	-	-	-	-	2,450	635,255
State	-	-	-	714,239	127,585	-	841,824
Local	-	-	-	25,851	-	3,738	29,589
Other	-	-	26,685	299,609	-	25,000	351,294
Other revenues:							
Program fees	-	-	-	379,637	-	190	379,827
Contract services	-	-	-	-	-	14,550	14,550
Rent	-	-	-	4,800	-	-	4,800
Interest	49	-	-	-	-	33	82
Local Match	-	-	-	73,919	-	-	73,919
Other	75	-	6,000	1,365	-	1,577	9,017
Total Public Support and Revenues	<u>633,618</u>	<u>-</u>	<u>32,685</u>	<u>2,731,330</u>	<u>127,585</u>	<u>47,538</u>	<u>3,572,756</u>
Expenditures:							
Salaries and wages	271,375	-	10,885	511,149	55,263	18,443	867,115
Employee taxes and benefits	85,902	-	965	175,238	13,292	6,030	281,427
Travel	17,191	-	-	9,527	128	-	26,846
Property and equipment	33,091	-	-	9,500	-	-	42,591
Mortgage payments	-	-	-	66,763	-	-	66,763
Supplies	8,217	-	-	61,571	1,102	1,042	71,932
Contractual	5,868	-	463	58,498	110	245	65,184
Communications	7,069	-	-	94,472	21	6,758	108,320
Leases	40,015	-	-	39,149	-	4,923	84,087
Rentals	14	-	-	17,183	-	376	17,573
Insurance	3,146	-	-	18,942	-	2,889	24,977
Repairs and maintenance	1,385	-	-	114,480	63	8,557	124,485
Client assistance	174,386	-	21,769	-	47,867	-	244,022
Food purchases	-	-	-	614,934	-	-	614,934
Other	31,794	-	1,627	218,246	778	2,350	254,795
Local match	-	-	-	73,920	-	-	73,920
Indirect	52,405	-	1,729	101,295	10,002	3,574	169,005
Total Expenditures	<u>731,858</u>	<u>-</u>	<u>37,438</u>	<u>2,184,867</u>	<u>128,626</u>	<u>55,187</u>	<u>3,137,976</u>
Change in net assets before adjustments to convert to GAAP	<u>\$ (98,240)</u>	<u>\$ -</u>	<u>\$ (4,753)</u>	<u>\$ 546,463</u>	<u>\$ (1,041)</u>	<u>\$ (7,649)</u>	<u>\$ 434,780</u>

ACTION PATHWAYS, INC.

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

YEAR ENDED DECEMBER 31, 2018

	Community Services Block Grant Program	Hope4NC	Special Grants	Second Harvest Food Bank of Southeast NC	Reentry	Consumer Credit Counseling Services	Total
Cash flows from operating activities:							
Change in net assets before adjustments to convert to expenses to GAAP	\$ (98,240)	\$ -	\$ (4,753)	\$ 546,463	\$ (1,041)	\$ (7,649)	\$ 434,780
Adjustments to reconcile change in net assets to net cash from operating activities:							
(Increase) decrease in operating assets:							
Accounts receivable	(15)	-	-	30,926	-	5,895	36,806
Grants receivable	132,326	102,063	-	126,508	(33,958)	43,574	370,513
Prepaid expenses	171	-	-	2,798	-	4,190	7,159
Increase (decrease) in operating liabilities:							
Temporary bank overdraft payable	-	-	-	-	32,318	-	32,318
Accounts payable	(4,118)	-	936	102,540	69	(930)	98,497
Accrued salaries	(3,835)	(1,674)	-	2,169	1,591	-	(1,749)
Accrued vacation	(11,288)	(5,213)	-	4,899	1,021	-	(10,581)
Grant refunds payable	-	(7,553)	-	(8,520)	-	-	(16,073)
Deferred revenue	-	-	-	72,866	-	-	72,866
Net cash from operating activities	<u>15,001</u>	<u>87,623</u>	<u>(3,817)</u>	<u>880,649</u>	<u>-</u>	<u>45,080</u>	<u>1,024,536</u>
Net change in cash	15,001	87,623	(3,817)	880,649	-	45,080	1,024,536
Cash, beginning of year	108,436	(87,623)	20,000	127,979	-	183,659	352,451
Cash, end of year	<u>\$ 123,437</u>	<u>\$ -</u>	<u>\$ 16,183</u>	<u>\$ 1,008,628</u>	<u>\$ -</u>	<u>\$ 228,739</u>	<u>\$ 1,376,987</u>

ACTION PATHWAYS, INC.

**COMBINING STATEMENT OF FINANCIAL POSITION – NON-GAAP
LOW INCOME HOUSING PROGRAMS**

DECEMBER 31, 2018

	Weatherization Program	Duke Energy Helping Home Fund	Weatherization Helping Hand	BlueCross BlueShield Healthy Home Initiative	Affordable Housing	Total
ASSETS						
Current Assets:						
Cash	\$ -	\$ 4,783	\$ -	\$ -	\$ 104,603	\$ 109,386
Accounts receivable	18	10,961	-	15,888	4,409	31,276
Grants receivable	344,083	-	-	-	-	344,083
Prepaid expenses	6,963	-	-	-	571	7,534
Security deposits	838	-	-	-	-	838
Total Assets	\$ 351,902	\$ 15,744	\$ -	\$ 15,888	\$ 109,583	\$ 493,117
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Temporary bank overdraft payable	\$ 223,417	\$ -	\$ -	\$ 9,679	\$ -	\$ 233,096
Accounts payable	38,028	15,744	-	6,209	-	59,981
Accrued salaries	8,341	-	-	-	-	8,341
Accrued vacation	22,118	-	-	-	-	22,118
Grant refunds payable	27,116	-	-	-	-	27,116
Deferred revenue	-	-	-	-	-	-
Long-Term Liabilities:						
Due to other funds	-	-	-	-	7,662	7,662
Total Liabilities	319,020	15,744	-	15,888	7,662	358,314
Net Assets:						
Without Donor Restrictions	-	-	-	-	101,921	101,921
With Donor Restrictions	32,882	-	-	-	-	32,882
Total Net Assets	32,882	-	-	-	101,921	134,803
Total Liabilities and Net Assets	\$ 351,902	\$ 15,744	\$ -	\$ 15,888	\$ 109,583	\$ 493,117

ACTION PATHWAYS, INC.

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

YEAR ENDED DECEMBER 31, 2018

	<u>Weatherization Program</u>	<u>Duke Energy Helping Home Fund</u>	<u>Weatherization Helping Hand</u>	<u>BlueCross BlueShield Healthy Home Initiative</u>	<u>Affordable Housing</u>	<u>Total</u>
Public Support and Revenues:						
Grant Assistance:						
Federal and Federal pass-through	\$ 2,499,881	\$ -	\$ -	\$ -	\$ -	\$ 2,499,881
Local	-	-	16,956	-	-	16,956
Other Revenues:						
Program fees	4,633	-	-	-	-	4,633
Contract services	-	158,914	-	15,888	-	174,802
Rent	-	-	-	-	37,916	37,916
Other	-	7,832	-	-	-	7,832
Total Public Support and Revenues	2,504,514	166,746	16,956	15,888	37,916	2,742,020
Expenditures:						
Salaries and wages	400,569	1,996	-	77	-	402,642
Employee taxes and benefits	124,736	633	-	8	-	125,377
Travel	41,402	-	-	-	-	41,402
Property and equipment	24,034	-	-	-	-	24,034
Supplies	18,654	-	-	-	-	18,654
Contractual	745,563	35,806	9,974	7,083	875	799,301
Communications	17,282	8	-	-	-	17,290
Leases	41,646	-	-	-	33	41,679
Rentals	1,268	-	-	-	-	1,268
Insurance	11,657	-	-	-	2,242	13,899
Repairs and maintenance	6,490	-	-	-	19,000	25,490
Client assistance	949,108	122,748	6,982	8,707	-	1,087,545
Indirect	73,603	3,719	-	13	-	77,335
Other	81,398	1,836	-	-	8,606	91,840
Total Expenditures	2,537,410	166,746	16,956	15,888	30,756	2,767,756
Change in net assets before adjustments to convert to GAAP	\$ (32,896)	\$ -	\$ -	\$ -	\$ 7,160	\$ (25,736)

ACTION PATHWAYS, INC.

**COMBINING STATEMENT OF CASH FLOWS – NON-GAAP
LOW INCOME HOUSING PROGRAMS**

YEAR ENDED DECEMBER 31, 2018

	Weatherization Program	Duke Energy Helping Home Fund	Weatherization Helping Hand	BlueCross BlueShield Healthy Home Initiative	Affordable Housing	Total
Cash flows from operating activities:						
Change in net assets before adjustments to convert expenses to GAAP	\$ (32,896)	\$ -	\$ -	\$ -	\$ 7,160	\$ (25,736)
Adjustments to reconcile increase in net assets to net cash from operating activities:						
(Increase) decrease in operating assets:						
Accounts receivable	(18)	(2,290)	-	(15,888)	(4,409)	(22,605)
Grants receivable	(76,928)	-	-	-	-	(76,928)
Prepaid expenses	1,881	-	-	-	(44)	1,837
Increase (decrease) in operating liabilities:						
Temporary overdraft payable	223,417	-	-	9,679	-	233,096
Accounts payable	(4,932)	7,099	(449)	6,209	-	7,927
Accrued salaries	2,879	-	-	-	-	2,879
Accrued vacation	7,587	-	-	-	-	7,587
Deferred revenue	-	-	(5,745)	-	-	(5,745)
Due to other funds	-	-	-	-	5,555	5,555
Net cash from operating activities	<u>120,990</u>	<u>4,809</u>	<u>(6,194)</u>	<u>-</u>	<u>8,262</u>	<u>127,867</u>
Net change in cash	120,990	4,809	(6,194)	-	8,262	127,867
Cash, beginning of year	<u>(120,990)</u>	<u>(26)</u>	<u>6,194</u>	<u>-</u>	<u>96,341</u>	<u>(18,481)</u>
Cash, end of year	<u>\$ -</u>	<u>\$ 4,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,603</u>	<u>\$ 109,386</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, 2018*

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)	\$ 7,032,120
Training and technical assistance (PA-20)	81,081
Early program (PA-25)	2,256,942
Training and technical assistance (PA-21)	22,758
	<hr/>
Total Government Grants	9,392,901
Other Revenue and Public Support:	
USDA reimbursement grants	669,441
Grantees non-federal share - budget amount	1,471,547
USDA adult lunch revenues	110,328
Child care reimbursement	120
Other	98,186
	<hr/>
Total Other Revenue and Public Support	2,349,622
	<hr/>
Total Public Support and Revenues	11,742,523
Expenditures:	
Government Grants:	
Head Start - full year, part day (PA-22):	
Direct costs:	
Salaries and wages	3,153,537
Fringe benefits	1,416,566
Expendable equipment and equipment rental	16,531
Supplies	136,582
Contractual and space costs	266,831
Other	1,475,181
	<hr/>
Subtotal	6,465,228
Indirect costs	665,197
	<hr/>
Total	7,130,425
Training and technical assistance (PA-20):	
Direct costs:	
Travel	81,081
	<hr/>
Early Program (PA-25):	
Direct costs:	
Salaries and wages	1,336,613
Fringe benefits	323,200
Expendable equipment and equipment rental	4,968
Supplies	105,475
Contractual and space costs	54,335
Other	190,399
	<hr/>
Subtotal	2,014,990
Indirect costs	241,953
	<hr/>
Total	2,256,943
	<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, 2018*

Training and technical assistance (PA-21):	
Direct costs:	
Travel	\$ 22,758
Total Head Start	<u>9,491,207</u>
Other Expenditures:	
USDA reimbursement funds:	
Direct costs:	
Salaries and wages	104,127
Fringe benefits	33,408
Supplies	47,222
Contractual and space costs	2,620
Other	<u>572,326</u>
Subtotal	759,703
Indirect costs	<u>20,066</u>
Total USDA	<u>779,769</u>
Public Support:	
Head Start - full year, part day (PA-22):	
In-kind contributions (see note below)	1,314,513
Head Start Early (PA-25):	
In-kind contributions (see note below)	<u>157,034</u>
Total Public Support	<u>1,471,547</u>
Total Expenditures	<u>11,742,523</u>
Change in net assets	-
Net assets, beginning of year	<u>1,091</u>
Net assets, end of year	<u>\$ 1,091</u>
Analysis of Net Assets:	
With Donor Restrictions:	
NC Transition Grant	<u>\$ 1,091</u>

Head Start Administrative costs calculation:

Administrative costs divided by grant revenue $\$1,010,366/\$10,864,448 = 9.30\%$

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*

	Grant Period Ending June 30, 2018	Grant Period Ending June 30, 2019	Total
Public Support, Government Grants, and Revenues:			
Direct - donations	\$ 200	\$ 564	\$ 764
Interest income	31	18	49
Government grants:			
Federal pass-through	237,223	395,582	632,805
Total Public Support, Government Grants, and Revenues	<u>237,454</u>	<u>396,164</u>	<u>633,618</u>
Expenditures:			
Direct Costs:			
Salaries and wages	170,284	101,091	271,375
Fringe benefits	52,943	32,959	85,902
Communications	6,129	3,469	9,598
Space costs	27,114	25,128	52,242
Travel	14,005	14,753	28,758
Contractual	5,866	5,685	11,551
Supplies and materials	6,969	1,248	8,217
Client services	97,354	77,032	174,386
Equipment	33,091	-	33,091
Other	956	3,377	4,333
Subtotal	414,711	264,742	679,453
Indirect costs	34,362	18,043	52,405
Total Expenditures	<u>449,073</u>	<u>282,785</u>	<u>731,858</u>
Change in net assets	(211,619)	113,379	(98,240)
Net assets, beginning of year	211,619	-	211,619
Net assets, end of year	<u>\$ -</u>	<u>\$ 113,379</u>	<u>\$ 113,379</u>
Analysis of Net Assets:			
CSBG programs	\$ -	\$ 113,379	\$ 113,379
Nongrant funds - without donor restrictions	-	-	-
	<u>\$ -</u>	<u>\$ 113,379</u>	<u>\$ 113,379</u>

ACTION PATHWAYS, INC.

**STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – BUDET AND ACTUAL –
NON-GAAP**

COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBER 32184

SIX MONTHS ENDED DECEMBER 31, 2017 AND JUNE 30, 2018

	Six Months Ended December 31, 2017	Six Months Ended June 30, 2018	Total	Budget	Variance Favorable (Unfavorable)
Public Support, Government Grants, and Revenues:					
Donations	\$ -	\$ 200	200	\$ -	\$ 200
Interest income	29	31	60	-	60
Government Grants:					
Federal pass-through	668,817	237,223	906,040	1,269,715	(363,675)
Total Public Support, Government Grants, and Revenues	<u>668,846</u>	<u>237,454</u>	<u>906,300</u>	<u>1,269,715</u>	<u>(363,415)</u>
Expenditures:					
Direct Costs:					
Salaries and wages	193,376	170,284	363,660	462,108	98,448
Fringe benefits	57,440	52,943	110,383	163,537	53,154
Communications	2,804	6,129	8,933	11,928	2,995
Space costs	30,162	27,114	57,276	67,583	10,307
Travel	17,414	14,005	31,419	50,131	18,712
Contractual	7,851	5,866	13,717	14,346	629
Supplies and materials	8,926	6,969	15,895	21,600	5,705
Client Services	83,792	97,354	181,146	327,347	146,201
Equipment	16,124	33,091	49,215	50,644	1,429
Other	1,534	956	2,490	5,392	2,902
Subtotal	419,423	414,711	834,134	1,174,616	340,482
Indirect costs	37,804	34,362	72,166	95,099	22,933
Total Expenditures	<u>457,227</u>	<u>449,073</u>	<u>906,300</u>	<u>1,269,715</u>	<u>363,415</u>
Change in net assets	211,619	(211,619)	-	\$ -	\$ -
Net assets, beginning of year	-	-	-	-	-
Net assets, end of year	<u>\$ 211,619</u>	<u>\$ (211,619)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Analysis of Net Assets:					
Nongrant funds - With donor restrictions	\$ -	\$ -	\$ -	-	-
Total Analysis of Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</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, 2018

(GRANT PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Public Support, Government Grants, and Revenues:			
Direct - donations	\$ -	\$ 564	\$ 564
Interest income	-	18	18
Government grants:			
Federal pass through	<u>767,802</u>	<u>395,582</u>	<u>(372,220)</u>
Public Support, Government Grants, and Revenues:	<u>767,802</u>	<u>396,164</u>	<u>(371,638)</u>
Expenditures:			
Direct Costs:			
Salaries and wages	216,053	101,091	114,962
Fringe benefits	80,624	32,959	47,665
Communications	13,701	3,469	10,232
Space costs	55,200	25,128	30,072
Travel	36,581	14,753	21,828
Contractual	15,456	5,685	9,771
Supplies and materials	11,500	1,248	10,252
Client services	287,000	77,032	209,968
Other	<u>6,592</u>	<u>3,377</u>	<u>3,215</u>
Subtotal	722,707	264,742	457,965
Indirect cost	<u>45,095</u>	<u>18,043</u>	<u>27,052</u>
Total Expenditures	<u>767,802</u>	<u>282,785</u>	<u>485,017</u>
Change in net assets	<u>\$ -</u>	113,379	<u>\$ 113,379</u>
Net assets, July 1, 2018		<u>-</u>	
Net assets, December 31, 2018		<u>\$ 113,379</u>	
Analysis of net assets:			
CSBG programs		\$ 113,379	
Nongrant funds - without donor restrictions		<u>-</u>	
Total Net Assets		<u>\$ 113,379</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, 2018

(GRANT PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018)

	Six Months Ended December 31, 2017	Six Months Ended June 30, 2018	Total	Budget	Variance Favorable (Unfavorable)
WEATHERIZATION:					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ 1,375	\$ (275)	\$ 1,100	\$ -	\$ 1,100
Grant funds:					
Total grant	191,758	219,624	411,382	412,482	(1,100)
Reduction for unexpended grant funds	-	(20,822)	(20,822)	-	(20,822)
Total Public Support, Government Grants, and Revenues	<u>193,133</u>	<u>198,527</u>	<u>391,660</u>	<u>412,482</u>	<u>(20,822)</u>
Expenditures:					
Administration	12,658	3,456	16,114	21,122	5,008
Training and technical assistance	12,958	53,796	66,754	71,768	5,014
Health and safety	9,194	20,470	29,664	40,464	10,800
Program operations	<u>125,427</u>	<u>153,701</u>	<u>279,128</u>	<u>279,128</u>	<u>-</u>
Total Expenditures	<u>160,237</u>	<u>231,423</u>	<u>391,660</u>	<u>412,482</u>	<u>20,822</u>
Change in net assets	<u>\$ 32,896</u>	<u>\$ (32,896)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HARRP:					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ -	\$ 3,808	\$ 3,808	\$ -	\$ 3,808
Grant funds:					
Total grant	129,963	476,200	606,163	609,971	(3,808)
Reduction for unexpended grant funds	-	(26,096)	(26,096)	-	(26,096)
Total Public Support, Government Grants, and Revenues	<u>129,963</u>	<u>453,912</u>	<u>583,875</u>	<u>609,971</u>	<u>(26,096)</u>
Expenditures:					
Administration	3,720	5,593	9,313	9,464	151
Program operations	<u>126,243</u>	<u>448,319</u>	<u>574,562</u>	<u>600,507</u>	<u>25,945</u>
Total Expenditures	<u>129,963</u>	<u>453,912</u>	<u>583,875</u>	<u>609,971</u>	<u>26,096</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, 2018**(GRANT PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018)*

	Six Months Ended December 31, 2017	Six Months Ended June 30, 2018	Total	Budget	Variance Favorable (Unfavorable)
LIHEAP:					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ 275	\$ -	\$ 275	\$ -	\$ 275
Grant funds:					
Total grant	232,225	934,521	1,166,746	1,167,021	(275)
Reduction for unexpended grant funds	-	(97,309)	(97,309)	-	(97,309)
Total Public Support, Government Grants, and Revenues	<u>232,500</u>	<u>837,212</u>	<u>1,069,712</u>	<u>1,167,021</u>	<u>97,309</u>
Expenditures:					
Administration	13,232	26,733	39,965	39,965	-
Program operations	203,533	683,306	886,839	939,213	52,374
Health & Safety	15,735	127,173	142,908	187,843	44,935
Total Expenditures	<u>232,500</u>	<u>837,212</u>	<u>1,069,712</u>	<u>1,167,021</u>	<u>97,309</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, 2018

ASSETS

Current Assets:

Cash	\$ 1,008,628
Accounts receivable	35,026
Grants receivable	96,638
Prepaid expenses	7,178

Total Assets

\$ 1,147,470

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 136,479
Accrued salaries	10,188
Accrued vacation	31,904
Grant refunds payable	8,766
Deferred revenue	169,604

Long-Term Liabilities:

Due to other funds	38,970
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Total Liabilities

395,911

Net Assets:

Without donor restrictions	751,559
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Total Net Assets

751,559

Total Liabilities and Net Assets

\$ 1,147,470

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, 2018*

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

State	\$	788,158
Local		25,851
Other		299,609
Total Grants Assistance		<u>1,113,618</u>

Donations:

Cash		1,231,910
Food		24,215,602
Total Donations		<u>25,447,512</u>

Fees:

Shared maintenance		365,507
Dues		14,130
Total Fees		<u>379,637</u>

Other

Total Public Support and Revenues		<u>26,946,932</u>
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Expenditures:**Administration:**

Personnel		76,672
Payroll taxes		7,552
Fringe benefits		20,183
Supplies		2,470
Contractual and space		6,060
Indirect		101,295
Other		19,425
Total Administration		<u>233,657</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, 2018*

Expenditures (continued):

Operating:

Personnel	\$	383,362
Payroll taxes		30,777
Fringe benefits		99,202
Travel		9,527
Supplies		52,944
Contractual and space		106,676
Food purchases		614,934
Donated food - distributed		22,834,002
Spoilage		778,823
Other		526,778
Total Operating		<u>25,437,025</u>

Fundraising:

Personnel		51,115
Payroll taxes		4,259
Fringe benefits		13,265
Supplies		6,157
Contractual and space		12,526
Other		39,688
Total Fundraising		<u>127,010</u>
Total Expenditures		<u>25,797,692</u>
Adjustment to Net Assets	\$	<u>1,149,240</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, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Point LLP

Fayetteville, North Carolina
June 17, 2019

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, 2018. 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, 2018.

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.

Channing R. Ricketts LLP

Fayetteville, North Carolina
June 17, 2019

ACTION PATHWAYS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

Section I – Summary of Auditor’s Results (continued)

Dollar threshold used to distinguish between Type
A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes no

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, 2018

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

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

YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Nonfederal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal and State Expenditures	In-Kind Program Income and Other Local Expenditures
U.S. Department of Health and Human Services:			
Head Start	93.600	\$ 9,392,901	\$ 1,471,547
Early Head Start Child Care Partnership	93.600	1,264,985	23,507
Passed through N.C. Department of Health and Human Services			
Community Services Block Grant	93.569	730,243	813
Low-Income Home Energy Assistance Program - Heating and Air Repair and Replacement Program	93.568	1,282,584	1,100
Low-Income Home Energy Assistance Program - Weatherization	93.568	816,179	3,809
Total Department of Health and Human Services		<u>13,486,892</u>	<u>1,500,776</u>
U.S. Department of Agriculture:			
Passed through N.C. Department of Health and Human Services:			
Child and Adult Care Food Program	10.558	669,441	-
Food Distribution Cluster:			
Noncash Assistance (Food commodities)			
Passed through N.C. Department of Agriculture			
Commodity Supplemental Food Program (Food commodities)	10.565	175,259	-
Emergency Food Assistance Program (Food commodities)	10.569	1,616,269	-
Noncash Assistance		<u>1,791,528</u>	<u>-</u>
Cash Assistance:			
Passed through N.C. Department of Health and Human Services			
Commodity Senior Food Program (Administrative costs)	10.568	67,293	-
Emergency Food Assistance Program (Administrative costs)	10.568	164,328	-
Cash Assistance		<u>231,621</u>	<u>-</u>
Total Emergency Food Assistance Cluster		<u>2,023,149</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>2,692,590</u>	<u>-</u>
U.S. Department of Energy:			
Weatherization Assistance Program for Low Income Persons	81.042	438,648	(275)
Total U.S. Department of Energy		<u>438,648</u>	<u>(275)</u>

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

YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Nonfederal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal and State Expenditures	In-Kind Program Income and Other Local Expenditures
U.S. Department of Housing and Urban Development:			
CDBG Entitlement Grants Cluster:			
Passed through City of Goldsboro:			
Community Development Block Grant/Entitlement Grants	14.218	\$ 1,200	\$ -
Passed through City of Fayetteville:			
Community Development Block Grant/Entitlement Grants	14.218	2,538	-
Total CDBG Entitlement Grants Cluster		<u>3,738</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>3,738</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>16,621,868</u>	<u>1,500,501</u>
State of N.C. grant programs:			
State Nutrition Assistance Grant	Contract # 34645	688,148	73,919
Total Expenditures of State Awards		<u>688,148</u>	<u>73,919</u>
Total Expenditures of Federal and State Awards		<u>\$ 17,310,016</u>	<u>\$ 1,574,420</u>

ACTION PATHWAYS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED DECEMBER 31, 2018

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, 2018. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. 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 \$1,574,420. Donated services not meeting the provisions of GAAP (those not requiring specific expertise), valued at \$91,233 for the year ended December 31, 2018 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, 2018, the Organization had food commodities totaling \$19,535 in inventory.

Note 4—Indirect costs

During the year ended December 31, 2018, the Organization did not elect to use the 10% de minimis cost rate for charging indirect costs to the grants.