

# **ACTION PATHWAYS, INC.**

Fayetteville, North Carolina

FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION, OTHER DATA  
AND COMPLIANCE SECTIONS

For the year ended December 31, 2014 (with comparative totals for December 31, 2013)

**ACTION PATHWAYS, INC.**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Action Pathways, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Action Pathways, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information in the schedule of expenditures of federal and state awards 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 July 9, 2015, on our consideration of Action Pathways, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Action Pathways, Inc.'s internal control over financial reporting and compliance.

*Haigh, Byrd & Lambert, LLP*

Certified Public Accountants  
Fayetteville, North Carolina  
July 9, 2015

**ACTION PATHWAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2014 (with comparative totals for December 31, 2013)

	2014	2013
<b>Assets</b>		
Current assets		
Cash	\$ 984,733	\$ 2,143,744
Investments	671,973	-
Accounts receivable	414,918	425,871
Grants receivable	625,105	552,684
Inventories	99,500	105,273
Prepaid expenses	345,831	277,085
Security deposits	6,867	6,867
Total current assets	3,148,927	3,511,524
Property and equipment, net	5,104,719	5,033,517
<b>Total assets</b>	<b>\$ 8,253,646</b>	<b>\$ 8,545,041</b>
 <b>Liabilities</b>		
Current liabilities		
Current portion of long term debt	\$ 695,878	\$ 84,620
Accounts payable	299,283	361,798
Accrued salaries	152,700	112,069
Accrued vacation	262,704	267,876
Grant refunds payable	106,063	106,415
Deferred revenue	-	107,114
Total current liabilities	1,516,628	1,039,892
Long term liabilities		
Non-current portion of long term debt	572,078	1,268,602
<b>Total liabilities</b>	2,088,706	2,308,494
 <b>Net assets</b>		
Unrestricted	6,061,589	6,193,425
Temporarily restricted	103,351	43,122
<b>Total net assets</b>	6,164,940	6,236,547
<b>Total liabilities and net assets</b>	<b>\$ 8,253,646</b>	<b>\$ 8,545,041</b>

**ACTION PATHWAYS, INC.**

**STATEMENT OF ACTIVITIES**

For the year ended December 31, 2014 (with comparative totals for December 31, 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
<b>Public support and revenue</b>				
Contributions	\$ 266,358	\$ 2,500	\$ 268,858	\$ 281,932
Federal financial assistance	10,867,581	941,238	11,808,819	11,972,481
State financial assistance	606,501	-	606,501	471,385
Local grants	25,000	30,000	55,000	15,000
Other grants	87,654	25,000	112,654	182,738
Donated services, materials, and space	1,572,229	-	1,572,229	1,664,282
Program fees and other	1,066,365	-	1,066,365	911,062
Contract services	1,425,776	-	1,425,776	1,370,023
Rent	52,336	-	52,336	58,486
Realized gains on investments	13,234	-	13,234	-
Unrealized gains on investments	4,758	-	4,758	-
Interest and dividends	9,714	-	9,714	1,035
Interfund charges	1,345,471	-	1,345,471	1,315,830
<b>Total public support and revenue</b>	<b>17,342,977</b>	<b>998,738</b>	<b>18,341,715</b>	<b>18,244,254</b>
<b>Net assets released from restrictions</b>				
Satisfaction of program restrictions				
Community Services	938,509	(938,509)	-	-
<b>Total net assets released</b>	<b>938,509</b>	<b>(938,509)</b>	<b>-</b>	<b>-</b>
<b>Total support and revenue</b>	<b>18,281,486</b>	<b>60,229</b>	<b>18,341,715</b>	<b>18,244,254</b>
<b>Expenses</b>				
Program services				
Early Childhood Development	11,997,713	-	11,997,713	11,658,136
Community Services	3,535,327	-	3,535,327	3,240,285
Low Income Housing	1,521,234	-	1,521,234	2,172,953
<b>Total program services</b>	<b>17,054,274</b>	<b>-</b>	<b>17,054,274</b>	<b>17,071,374</b>
Supporting services				
Management and Administration	1,354,048	-	1,354,048	1,335,562
Ways and Means	-	-	-	-
Investment Account	5,000	-	5,000	-
General Fixed Assets	-	-	-	-
<b>Total supporting services</b>	<b>1,359,048</b>	<b>-</b>	<b>1,359,048</b>	<b>1,335,562</b>
<b>Total expenses</b>	<b>18,413,322</b>	<b>-</b>	<b>18,413,322</b>	<b>18,406,936</b>
<b>Change in net assets</b>	<b>(131,836)</b>	<b>60,229</b>	<b>(71,607)</b>	<b>(162,682)</b>
<b>Net assets</b>				
Beginning of year	6,193,425	43,122	6,236,547	6,399,229
<b>End of year</b>	<b>\$ 6,061,589</b>	<b>\$ 103,351</b>	<b>\$ 6,164,940</b>	<b>\$ 6,236,547</b>

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

For the year ended December 31, 2014 (with comparative totals for December 31, 2013)

	Program Services				Supporting Services		2013 Total
	Early Childhood Development	Community Services	Low Income Housing	Ways and Means	Management and Administration	Investment Account	
<b>Expenditures</b>							
Salaries and wages	\$ 4,875,416	\$ 1,275,581	\$ 275,298	\$ -	\$ 831,703	\$ -	\$ 7,157,998
Employee taxes and benefits	1,754,302	310,889	77,336	-	207,373	-	2,349,900
Travel	178,233	70,114	22,211	-	21,839	-	292,397
Property and equipment	395,000	19,045	-	-	18,990	-	433,035
Mortgage payments	85,980	67,099	-	-	-	-	153,079
Supplies	293,327	91,529	12,147	-	29,024	-	426,027
Contractual	181,761	196,764	300,200	-	86,229	-	764,954
Communications	250,723	155,324	13,860	-	24,769	-	444,676
Leases	208,012	130,722	20,635	-	25,710	-	385,079
Rentals	9,685	18,704	3,892	-	4,660	-	36,941
Insurance	78,449	25,448	9,412	-	16,047	-	129,356
Repairs and maintenance	204,532	63,138	82,165	-	22,235	-	372,070
Food purchases	739,125	484,912	-	-	-	-	1,224,037
Client assistance	-	68,980	582,371	-	-	-	651,351
Other	340,645	282,176	40,907	-	62,462	5,000	731,190
Local match	1,572,229	-	-	-	-	-	1,572,229
Indirect	1,054,027	246,922	44,522	-	-	-	1,345,471
<b>Total expenditures</b>	<b>12,221,446</b>	<b>3,507,347</b>	<b>1,484,956</b>	<b>-</b>	<b>1,351,041</b>	<b>5,000</b>	<b>18,569,790</b>
<b>Adjustments to convert to expenses</b>							
Deduct principal mortgage payments	(54,390)	(30,876)	-	-	-	-	(85,266)
Deduct property and equipment capitalized	(395,000)	(19,045)	-	-	(18,990)	-	(433,035)
Add depreciation and loss on abandonment	225,657	77,901	36,278	-	21,997	-	361,833
	\$ 11,997,713	\$ 3,535,327	\$ 1,521,234	\$ -	\$ 1,354,048	\$ 5,000	\$ 18,413,322
							\$ 18,406,936

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

For the year ended December 31, 2014 (with comparative totals for December 31, 2013)

	2014	2013
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (71,607)	\$ (162,682)
Adjustments to reconcile to net assets provided		
Depreciation	357,012	389,469
Loss on disposal of fixed assets	4,821	4,695
Realized and unrealized (gain) loss on investments	(17,992)	-
(Increase) decrease in operating assets		
Accounts receivable	10,953	(155,482)
Grants receivable	(72,421)	962,364
Inventory	3,452	(19,044)
Prepaid expenses	(66,425)	(62,671)
Security deposits	-	750
Increase (decrease) in operating liabilities		
Accounts payable	(62,515)	(73,643)
Accrued salaries	40,631	(176,339)
Accrued vacation	(5,172)	27,310
Grant refunds payable	(352)	2,266
Deferred revenue	(107,114)	(116,682)
<b>Net cash provided by operating activities</b>	<b>13,271</b>	<b>620,311</b>
<b>Cash flows from investing activities</b>		
Expended for property and equipment	(433,035)	(34,608)
Proceeds from sale of investments	532,106	-
Purchase of investments	(1,186,087)	-
<b>Net cash used by investing activities</b>	<b>(1,087,016)</b>	<b>(34,608)</b>
<b>Cash flows from financing activities</b>		
Repayment of notes payable	(85,266)	(87,532)
<b>Net cash used by financing activities</b>	<b>(85,266)</b>	<b>(87,532)</b>
<b>Net increase (decrease) in cash</b>	(1,159,011)	498,171
<b>Cash - beginning</b>	2,143,744	1,645,573
<b>Cash - ending</b>	<b>\$ 984,733</b>	<b>\$ 2,143,744</b>
<b>Supplemental disclosure</b>		
Interest paid	\$ 67,813	\$ 58,382



**ACTION PATHWAYS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**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 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 accounting principles generally accepted in the United States of America. 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2013, from which the summarized information was derived.

## NOTES TO FINANCIAL STATEMENTS - continued

### *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, 2014, the collected balance at one financial institution exceeded FDIC coverage by a total of \$25,098.

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 (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 management's assumptions and best estimates based on available data.

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

## NOTES TO FINANCIAL STATEMENTS – continued

### *Allowance for uncollectible accounts*

The Organization provides an allowance for uncollectible accounts based on the allowance method using management's judgment. The allowance for uncollectible accounts for the Consumer Credit Counseling Services program was approximately \$73 as of December 31, 2014. The Organization utilizes the accrual method of accounting for trade receivables of the Consumer Credit Counseling Services program.

### *Inventories*

Inventories consist of food and food supplies of the Head Start Program, and 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. However, for purposes of the unaudited non-GAAP schedules presented in the "Other Data" section, the agency has valued the pass-through inventory as of December 31, 2014, at \$1,445,462. Therefore, the total inventory reported on the unaudited non-GAAP schedule is \$1,522,970.

### *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, 2014, the Second Harvest Food Bank of Southeast North Carolina received approximately 8,141,403 pounds of donated food and distributed approximately 7,954,119 pounds of the donated food to member agencies. The donated food was valued at \$1.69 per pound and therefore amounts to \$13,758,971 received and \$13,442,461 distributed during the year and is reflected in the unaudited non-GAAP schedules.

### *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. 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
Buildings and improvements	10 – 40 Years
Furniture and equipment	5 – 10 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.

## NOTES TO FINANCIAL STATEMENTS - continued

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.

### *Restricted and unrestricted revenue and support*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, 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 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 generally accepted accounting principles (those not requiring specific expertise), valued at \$128,933 for the year ending December 31, 2014 is eliminated for financial statement purposes.

Second Harvest Food Bank of Southeast North Carolina benefited from approximately 4,464 hours of volunteer labor in association with the local County Workers Project for the year ending December 31, 2014. Donated services not meeting the provisions of generally accepted accounting principles (those not requiring specific expertise), valued at \$24,074 for the year ending December 31, 2014 is eliminated for financial statement purposes.

CCCS sponsored Volunteer Income Tax Assistance (VITA) program and Financial Literacy Education and benefited from 501 hours of volunteer labor in association with free tax preparation services for low

## NOTES TO FINANCIAL STATEMENTS - continued

income individuals. Donated services not meeting the provisions of generally accepted accounting principles (those not requiring specific expertise), valued at \$7,014 for the year ending December 31, 2014 is eliminated for financial statement purposes.

Volunteer Income Tax Assistance (VITA) program benefited from volunteer labor in association with free tax preparation services for low income individuals. Donated services not meeting the provisions of generally accepted accounting principles (those not requiring specific expertise), valued at \$16,145 for the year ending December 31, 2014 is eliminated 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 2014 as determined by the Organization is 15.7%.

### *Deferred revenue*

Deferred revenue represents money received, but not yet earned under its intended purpose.

### *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, 2014 was \$98,444.

### *Advertising costs*

The Organization follows the policy of charging the costs of advertising to expense as incurred.

### *Summary of programs operated by the Organization*

- Head Start, Smart Start, USDA, More at Four Programs, and North Carolina Pre-K – These programs provide comprehensive early childhood development services 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 – This program is designed to provide energy efficiency assistance to low income persons, particularly the elderly and handicapped. This program is generally funded for periods ending June 30.

**NOTES TO FINANCIAL STATEMENTS – continued**

- Community Housing Development Program – This program is designed to expand the supply of decent and affordable housing, particularly rental housing, for low and very 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 fund raising 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.
- Consumer Credit Counseling Services – This program provides financial literacy, credit and housing counseling.
- 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.
- Family Self-Sufficiency – This program is designed to provide life-skills and economic self-sufficiency coaching for residents of the Fayetteville Metropolitan Housing Authority and has a February 28th year end. The program ended February 28, 2014.
- Race to the Top – This program is designed to provide child care providers with assistance in helping parents remove barriers and become involved in their child’s education.
- Voluntary Income Tax Assistance – This program provides free tax preparation for low income individuals.

**Note 3 – Investments**

Investments are measured at fair value in the statement of financial position based on quoted market price. 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, 2014:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 163,735	\$ -	\$ -	\$ 163,735
Mutual funds	508,238			508,238
	<u>\$ 671,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 671,973</u>

## NOTES TO FINANCIAL STATEMENTS - continued

As discussed in Note 2, 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 uses the following ways to determine the fair value of its investments:

Money market 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.

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.

### Note 4 – Property and equipment

Property and equipment activity for the year ended December 31, 2014 was as follows:

	Balance			Balance December 31, 2014
	January 1, 2014	Additions	Retirements	
<b>By Asset Type</b>				
Land	\$ 392,198	\$ 117,534	\$ -	\$ 509,732
Vehicles	2,225,233	-	105,314	2,119,919
Equipment	2,418,346	1,515	464,357	1,955,504
Buildings and improvements	5,517,513	313,986	160,459	5,671,040
	<u>\$ 10,553,290</u>	<u>\$ 433,035</u>	<u>\$ 730,130</u>	<u>\$ 10,256,195</u>
<b>By Function</b>				
Consumer Credit Counseling Service	\$ 43,522	\$ 17,530	\$ 5,692	\$ 55,360
Head Start	5,198,668	-	556,603	4,642,065
State Child Development programs	2,229,328	395,000	-	2,624,328
USDA	6,766	-	-	6,766
CSBG	317,466	1,515	129,944	189,037
Family Self-sufficiency	3,414	-	544	2,870
Home Investment Partnership	492,936	-	-	492,936
Weatherization	33,205	-	5,174	28,031
Ways and Means	46,186	-	25,686	20,500
Second Harvest Food Bank	1,394,210	-	2,486	1,391,724
Weatherization - ARRA	179,021	-	2,824	176,197
Corporate	608,568	18,990	1,177	626,381
	<u>10,553,290</u>	<u>\$ 433,035</u>	<u>\$ 730,130</u>	<u>10,256,195</u>
Accumulated depreciation	<u>5,519,773</u>	<u>\$ 357,012</u>	<u>\$ (725,309)</u>	<u>5,151,476</u>
	<u>\$ 5,033,517</u>			<u>\$ 5,104,719</u>

**NOTES TO FINANCIAL STATEMENTS - continued**

**Note 5 – Long-term debt**

Long-term debt at December 31, 2014 consisted of the following:

Note payable in monthly installments of \$7,165, including variable interest based on LIBOR. The rate was 4.50% as of December 31, 2014 with a maturity date of June 5, 2015; secured by real property at 2229 Southern Avenue, Fayetteville, North Carolina. \$ 663,194

Note payable in monthly installments of \$5,591, including interest at 5.75% with a maturity date of October 31, 2027; secured by a Food Distribution Center at 406 Deep Creek Road, Fayetteville, North Carolina. 604,762

Less current portion 1,267,956  
695,878  
\$ 572,078

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

	Food Distribution Center	Southern Avenue Mortgage	Total
2015	\$ 32,684	\$ 663,194	\$ 695,878
2016	34,545	-	34,545
2017	36,710	-	36,710
2018	38,908	-	38,908
2019	41,238	-	41,238
Thereafter	<u>420,677</u>	<u>-</u>	<u>420,677</u>
	<u><u>\$ 604,762</u></u>	<u><u>\$ 663,194</u></u>	<u><u>\$ 1,267,956</u></u>

**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 accounting principles generally accepted in the United States of America guidance on Accounting for Uncertainty in Income Taxes. Management believes the Organization continues to satisfy the requirements of a tax-exempt organization and therefore had no uncertain income tax positions at December 31, 2014.



## NOTES TO FINANCIAL STATEMENTS - continued

### Note 7 - Leases

The Organization is committed under several non-cancelable 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, 2014 was \$365,491.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2014 are as follows:

Year ending December 31,	
2015	\$ 170,113
2016	121,356
2017	54,600
2018	27,300
2019	-
Thereafter	-
	<u>\$ 373,369</u>

### Note 8 – Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2014 are available for the following purposes:

Early Childhood Development programs	\$ 1,091
Community Services programs	44,760
Produce Initiative program	30,000
Child Hunger program	15,000
Single Source Application	10,000
Backpack program	2,500
	<u>\$ 103,351</u>

### Note 9 – Contingencies

The Organization receives funds from several federal and state grants. 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 \$106,063 has been made in these financial statements for refund of grant monies.

### Note 10 – Reclassification

Certain information from the prior year financial statements has been reclassified to conform to the current year presentation format.

### Note 11 – Subsequent events

The Organization has evaluated subsequent events through July 9, 2015, the date on which the financial statements were available to be issued.

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION - NON-GAAP**  
**ALL PROGRAMS**  
**December 31, 2014**

	Program Services			Supporting Services			Total
	Early Childhood Development	Community Services	Low Income Housing	Ways and Means	Management and Administration	Investment Account	
<b>Assets</b>							
Current assets							
Cash	\$ 926,667	\$ 491,661	\$ 131,763	\$ 6,297	\$ -	\$ -	\$ 984,733
Investments	-	-	-	-	-	671,973	671,973
Accounts receivable	201,660	145,184	2,160	-	65,914	-	414,918
Grants receivable	330,501	239,345	55,259	-	-	-	625,105
Inventories	10,190	77,508	11,802	-	-	-	99,500
Prepaid expenses	187,741	36,175	838	-	121,077	-	345,831
Security deposits	2,000	4,812	-	-	55	-	6,867
Property and equipment	-	-	-	-	-	-	5,104,719
Other assets	-	-	-	-	-	-	-
Due from other funds	1,523	84,298	11,183	-	6,750	-	-
<b>Total assets</b>	<b>\$ 1,660,282</b>	<b>\$ 1,078,983</b>	<b>\$ 213,005</b>	<b>\$ 6,297</b>	<b>\$ 193,796</b>	<b>\$ 671,973</b>	<b>\$ 8,253,646</b>
<b>Liabilities</b>							
Current liabilities							
Temporary bank overdraft payable	\$ 221,405	\$ 288,012	\$ 34,538	\$ -	\$ 27,700	\$ -	\$ 695,878
Current portion of long term debt	-	-	-	-	-	-	-
Accounts payable	201,776	38,221	23,443	-	35,843	-	299,283
Accrued salaries	102,737	24,369	6,141	-	19,453	-	152,700
Accrued vacation	125,502	62,483	15,886	-	58,833	-	262,704
Grant refunds payable	10,366	89,139	6,558	-	-	-	106,063
Long term liabilities							
Long term debt	-	-	-	-	-	-	572,078
Due to other funds	11,183	84,500	8,071	-	-	-	-
<b>Total liabilities</b>	<b>\$ 672,969</b>	<b>\$ 586,724</b>	<b>\$ 94,637</b>	<b>\$ -</b>	<b>\$ 141,829</b>	<b>\$ -</b>	<b>\$ 2,088,706</b>
<b>Net assets</b>							
Unrestricted	986,222	389,999	118,368	6,297	51,967	671,973	6,061,589
Temporarily restricted	1,091	102,260	-	-	-	-	103,351
<b>Total net assets</b>	<b>\$ 987,313</b>	<b>\$ 492,259</b>	<b>\$ 118,368</b>	<b>\$ 6,297</b>	<b>\$ 51,967</b>	<b>\$ 671,973</b>	<b>\$ 6,164,940</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,660,282</b>	<b>\$ 1,078,983</b>	<b>\$ 213,005</b>	<b>\$ 6,297</b>	<b>\$ 193,796</b>	<b>\$ 671,973</b>	<b>\$ 8,253,646</b>

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF REVENUE AND FUNCTIONAL EXPENDITURES - NON-GAAP**  
**ALL PROGRAMS**

For the year ended December 31, 2014

	Program Services				Supporting Services				Total
	Early Childhood Development	Community Services	Low Income Housing	Ways and Means	Management and Administration	Investment Account	Property and Equipment	Eliminations	
<b>Support and revenues</b>	\$ 25	\$ 268,461	\$ 122	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ 268,858
Contributions									
Grant assistance	9,027,012	1,395,549	1,386,258	-	-	-	-	-	11,808,819
Federal and Federal pass-through	-	606,501	-	-	-	-	-	-	606,501
State	-	55,000	-	-	-	-	-	-	55,000
Local	-	111,454	-	-	-	-	-	-	112,654
Other	1,200	-	-	-	-	-	-	-	-
Other revenues									
Program fees	141,447	737,028	6,455	-	-	-	-	-	884,930
Contract services	1,127,297	298,479	-	-	-	-	-	-	1,425,776
Rent	-	4,800	47,536	-	-	-	-	-	52,336
Indirect	-	-	-	-	1,345,471	-	-	-	1,345,471
Interest and dividends	630	103	-	-	-	8,981	-	-	9,714
Realized gains on investments	-	-	-	-	-	13,234	-	-	13,234
Unrealized gains on investments	-	-	-	-	-	4,758	-	-	4,758
Local match	1,701,162	2,344,141	-	-	-	-	-	(2,473,074)	1,572,229
Interfund transfer	-	-	-	-	-	650,000	-	(650,000)	-
Other	174,473	1,392	-	-	5,570	-	518,301	(518,301)	181,435
Total support and revenues	12,173,246	5,822,908	1,440,371	250	1,351,041	676,973	518,301	(3,641,375)	18,341,715
<b>Expenditures</b>									
Salaries and wages	4,875,416	1,275,581	275,298	-	831,703	-	-	-	7,257,998
Employee taxes and benefits	1,754,302	310,889	77,336	-	207,373	-	-	-	2,349,900
Travel	178,233	70,114	22,211	-	21,839	-	-	-	292,397
Property and equipment	385,000	19,045	-	-	18,990	-	-	(433,035)	67,813
Mortgage payments	85,980	67,099	-	-	-	-	-	(85,266)	426,027
Supplies	293,327	91,529	12,147	-	29,024	-	-	-	764,954
Contractual	181,761	196,764	300,200	-	86,229	-	-	-	444,676
Communications	250,723	155,324	13,860	-	24,769	-	-	-	385,079
Leases	208,012	130,722	20,635	-	25,710	-	-	-	36,941
Rentals	9,685	18,704	9,892	-	4,660	-	-	-	129,356
Insurance	78,449	25,448	9,412	-	16,047	-	-	-	372,070
Repairs and maintenance	204,532	63,138	82,165	-	22,235	-	-	-	1,224,037
Food purchases	739,125	484,912	-	-	-	-	-	-	651,351
Client assistance	340,645	68,980	582,371	-	62,462	-	-	-	736,011
Other	1,701,162	2,344,141	40,907	-	-	5,000	4,821	(2,473,074)	1,572,229
Local match	-	-	-	-	-	-	357,012	(650,000)	357,012
Depreciation	650,000	-	-	-	-	-	-	-	-
Interfund transfer	1,054,027	246,922	44,522	-	-	-	-	-	1,345,471
Indirect	-	-	-	-	-	-	-	-	-
Total expenditures	13,000,379	5,851,468	1,484,956	-	1,351,041	5,000	361,833	(3,641,375)	18,413,322
<b>Change in net assets before adjustments to convert to expenses</b>	(827,133)	(28,580)	(44,585)	250	671,973	-	156,468	-	(71,607)
Net assets									
Beginning of year	1,814,446	520,839	162,953	6,047	51,967	-	3,680,295	-	6,236,547
End of year	987,313	492,259	118,368	6,297	51,967	\$ 671,973	\$ 5,836,763	\$ -	6,164,940

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF CASH FLOWS - NON-GAAP**  
**ALL PROGRAMS**  
For the year ended December 31, 2014

	Program Services				Supporting Services				Total
	Early Childhood Development	Community Services	Income Housing	Ways and Means	Management and Administration	Investment Account	Property and Equipment	Eliminations	
<b>Cash flows from operating activities</b>									
Increase (decrease) in net assets	\$ (827,133)	\$ (28,580)	\$ (44,585)	\$ 250	\$ -	\$ 671,973	\$ 156,468	\$ -	\$ (71,607)
Adjustments to reconcile to net assets provided	-	-	-	-	-	-	357,012	-	357,012
Depreciation	-	-	-	-	-	-	4,821	-	4,821
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-
Realized and unrealized (gain) loss on investments	-	-	-	-	-	(17,992)	-	-	(17,992)
(Increase) decrease in operating assets	80,190	(36,464)	(1,285)	-	(31,488)	-	-	-	10,953
Accounts receivable	(23,150)	(462,187)	112,916	-	-	-	-	-	(72,421)
Grants receivable	(1,459)	4,911	-	-	-	-	-	-	3,452
Inventory	17,995	3,707	2,321	-	(90,388)	-	-	-	(66,425)
Prepaid expenses	-	-	-	-	-	-	-	-	-
Security deposits	-	-	-	-	(6,310)	-	-	17,784	-
Due from other funds	(291)	-	(11,183)	-	-	-	-	-	-
Increase (decrease) in operating liabilities	(24,187)	(21,920)	(10,680)	-	(5,718)	-	-	-	(62,515)
Accounts payable	27,494	8,940	(354)	-	4,551	-	-	-	40,631
Accrued salaries	(13,874)	6,105	2,020	-	577	-	-	-	(5,172)
Accrued vacation	-	(1)	(351)	-	-	-	-	-	(352)
Grant refunds payable	(17,856)	(84,038)	-	-	(5,220)	-	-	-	(107,114)
Deferred revenue	11,183	202	6,399	-	-	-	-	(17,784)	-
Due to other funds	(771,148)	(309,325)	55,208	250	(133,996)	653,981	518,301	-	13,271
<b>Net cash provided (used) by operating activities</b>									
<b>Cash flows from investing activities</b>									
Expended for property and equipment	-	-	-	-	-	-	(433,035)	-	(433,035)
Proceeds from sale of investments	-	-	-	-	-	532,106	-	-	532,106
Purchase of investments	-	-	-	-	-	(1,186,087)	-	-	(1,186,087)
<b>Net cash used by investing activities</b>									
<b>Cash flows from financing activities</b>									
Repayment of notes payable	-	-	-	-	-	-	(85,266)	-	(85,266)
<b>Net cash used by financing activities</b>									
<b>Net increase (decrease) in cash</b>									
Cash - beginning	1,476,410	512,974	42,017	6,047	106,296	-	-	-	2,143,744
Cash - ending	\$ 705,262	\$ 203,649	\$ 97,225	\$ 6,297	\$ (27,700)	\$ -	\$ -	\$ -	\$ 984,733

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION - NON-GAAP**  
**EARLY CHILDHOOD DEVELOPMENT PROGRAMS**  
 December 31, 2014

	Head Start Program		Child Nutrition Program		Race To The Top		State Child Development Program		Total
<b>Assets</b>									
Current assets									
Cash	\$ -	\$ 3,572	\$ 62,679	\$ 860,416	\$ -	\$ 926,667			
Accounts receivable	111,310	1,009	153	89,188		201,660			
Grants receivable	271,225	59,276	-	-	-	330,501			
Inventories	-	10,190	-	-	-	10,190			
Prepaid expenses	168,234	3,634	947	14,926		187,741			
Security deposits	2,000	-	-	-	-	2,000			
Other assets									
Due from other funds	1,321	-	-	202		1,523			
<b>Total assets</b>	<b>\$ 554,090</b>	<b>\$ 77,681</b>	<b>\$ 63,779</b>	<b>\$ 964,732</b>	<b>\$ -</b>	<b>\$ 1,660,282</b>			
<b>Liabilities</b>									
Current liabilities									
Temporary bank overdraft payable	\$ 221,405	\$ -	\$ -	\$ -	\$ -	\$ 221,405			
Accounts payable	124,370	72,532	179	4,695		201,776			
Accrued salaries	93,263	3,088	1,306	5,080		102,737			
Accrued vacation	113,961	2,061	4,511	4,969		125,502			
Grant refunds payable	-	-	-	10,366		10,366			
Long term liabilities									
Due to other funds	-	-	-	11,183		11,183			
<b>Total liabilities</b>	<b>\$ 552,999</b>	<b>\$ 77,681</b>	<b>\$ 5,996</b>	<b>\$ 36,293</b>	<b>\$ -</b>	<b>\$ 672,969</b>			
<b>Net assets</b>									
Unrestricted	-	-	57,783	928,439		986,222			
Temporarily restricted	1,091	-	-	-		1,091			
<b>Total net assets</b>	<b>\$ 1,091</b>	<b>\$ -</b>	<b>\$ 57,783</b>	<b>\$ 928,439</b>	<b>\$ -</b>	<b>\$ 987,313</b>			
<b>Total liabilities and net assets</b>	<b>\$ 554,090</b>	<b>\$ 77,681</b>	<b>\$ 63,779</b>	<b>\$ 964,732</b>	<b>\$ -</b>	<b>\$ 1,660,282</b>			

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF REVENUE AND FUNCTIONAL EXPENDITURES - NON-GAAP**  
**EARLY CHILDHOOD DEVELOPMENT PROGRAMS**  
For the year ended December 31, 2014

	Head Start Program	Child Nutrition Program	Race To The Top	State Child Development Program	Total
<b>Support and revenues</b>					
Contributions	\$ 25	\$ -	\$ -	\$ -	\$ 25
Grant assistance					
Federal and Federal pass-through	8,358,737	668,275	-	-	9,027,012
Other	-	-	-	1,200	1,200
Other revenues					
Program fees	-	141,447	-	-	141,447
Contract services	-	-	143,329	983,968	1,127,297
Interest	-	-	-	630	630
Local match	1,701,162	-	-	-	1,701,162
Other	167,994	-	-	6,479	174,473
<b>Total support and revenues</b>	<b>10,227,918</b>	<b>809,722</b>	<b>143,329</b>	<b>992,277</b>	<b>12,173,246</b>
<b>Expenditures</b>					
Salaries and wages	4,343,437	100,986	53,887	377,106	4,875,416
Employee taxes and benefits	1,568,631	33,097	12,575	139,999	1,754,302
Travel	169,833	1,230	1,000	6,170	178,233
Property and equipment	-	-	-	395,000	395,000
Mortgage payments	85,980	-	-	-	85,980
Supplies	196,970	36,434	2,469	57,454	293,327
Contractual	165,951	7,111	211	8,488	181,761
Communications	238,843	2,215	822	8,843	250,723
Leases	200,153	339	1,972	5,548	208,012
Rentals	3,562	5	301	5,817	9,685
Insurance	73,654	1,215	-	3,580	78,449
Repairs and maintenance	169,700	2,378	4	32,450	204,532
Food purchases	64,840	595,023	-	79,262	739,125
Other	316,893	8,635	1,869	13,248	340,645
Local match	1,701,162	-	-	-	1,701,162
Interfund transfer	-	-	-	650,000	650,000
Indirect	928,309	21,054	10,436	94,228	1,054,027
<b>Total expenditures</b>	<b>10,227,918</b>	<b>809,722</b>	<b>85,546</b>	<b>1,877,193</b>	<b>13,000,379</b>
<b>Change in net assets</b>					
Net assets					
Beginning of year	1,091	-	-	1,813,355	1,814,446
End of year	1,091	-	57,783	928,439	987,313

**ACTION PATHWAYS, INC.**

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

For the year ended December 31, 2014

	Head Start Program	Child Nutrition Program	Race To The Top	State Child Development Program	Total
<b>Cash flows from operating activities</b>					
Increase (decrease) in net assets	\$ -	\$ -	\$ 57,783	\$ (884,916)	\$ (827,133)
(Increase) decrease in operating assets					
Accounts receivable	(43,214)	(1,009)	(153)	124,566	80,190
Grants receivable	(21,861)	(1,289)	-	-	(23,150)
Inventory	-	(1,459)	-	-	(1,459)
Prepaid expenses	15,227	(270)	(513)	3,491	17,935
Due from other funds	(89)	-	-	(202)	(291)
Increase (decrease) in operating liabilities					
Accounts payable	(55,612)	36,100	(1,388)	(3,287)	(24,187)
Accrued salaries	25,834	1,939	567	(846)	27,494
Accrued vacation	(15,782)	248	2,864	(1,204)	(13,874)
Deferred revenue	-	-	(13,329)	(4,527)	(17,856)
Due to other funds	-	-	-	11,183	11,183
<b>Net cash provided (used) by operating activities</b>	<b>(95,497)</b>	<b>34,260</b>	<b>45,831</b>	<b>(755,742)</b>	<b>(771,148)</b>
<b>Cash - beginning</b>	<b>(125,908)</b>	<b>(30,688)</b>	<b>16,848</b>	<b>1,616,158</b>	<b>1,476,410</b>
<b>Cash - ending</b>	<b>(221,405)</b>	<b>3,572</b>	<b>62,679</b>	<b>860,416</b>	<b>705,262</b>

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION - NON-GAAP**  
**COMMUNITY SERVICE PROGRAMS**  
 December 31, 2014

	Community Services Block Grant Program	Family Self-Sufficiency Program	Consumer Credit Counseling Services Program	Volunteer Income Tax Assistance	Special Grants	Second Harvest Food Bank of Southeast NC	Total
<b>Assets</b>							
Current assets							
Cash	\$ 57,368	\$ -	\$ 424,293	\$ -	\$ 10,000	\$ -	\$ 491,661
Accounts receivable	1,404	-	37,862	-	-	105,918	145,184
Grants receivable	-	-	51,913	-	-	187,432	239,345
Inventories	-	-	-	-	-	77,508	77,508
Prepaid expenses	15,256	-	9,830	-	-	11,089	36,175
Security deposits	4,812	-	-	-	-	-	4,812
Other assets							
Due from other funds	84,298	-	-	-	-	-	84,298
<b>Total assets</b>	<b>\$ 163,138</b>	<b>\$ -</b>	<b>\$ 523,898</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ 381,947</b>	<b>\$ 1,078,983</b>
<b>Liabilities</b>							
Current liabilities							
Temporary bank overdraft payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,012	\$ 288,012
Accounts payable	8,097	-	12,699	-	-	17,425	38,221
Accrued salaries	9,900	-	6,991	-	-	7,478	24,369
Accrued vacation	19,806	-	18,984	-	-	23,693	62,483
Grant refunds payable	80,373	-	-	-	-	8,766	89,139
Long term liabilities							
Due to other funds	202	-	45,328	-	-	38,970	84,500
<b>Total liabilities</b>	<b>\$ 118,378</b>	<b>\$ -</b>	<b>\$ 84,002</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 384,344</b>	<b>\$ 586,724</b>
<b>Net assets</b>							
Unrestricted	-	-	439,896	-	-	(49,897)	389,999
Temporarily restricted	44,760	-	-	-	10,000	47,500	102,260
<b>Total net assets</b>	<b>\$ 44,760</b>	<b>\$ -</b>	<b>\$ 439,896</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ (2,397)</b>	<b>\$ 492,259</b>
<b>Total liabilities and net assets</b>	<b>\$ 163,138</b>	<b>\$ -</b>	<b>\$ 523,898</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ 381,947</b>	<b>\$ 1,078,983</b>



**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF REVENUE AND FUNCTIONAL EXPENDITURES - NON-GAAP**  
**COMMUNITY SERVICE PROGRAMS**  
For the year ended December 31, 2014

	Community Services Block Grant Program	Family Self-Sufficiency Program	Consumer Credit Counseling Services Program	Volunteer Income Tax Assistance	Special Grants	Second Harvest Food Bank of Southeast NC	Total
<b>Support and revenues</b>							
Contributions	\$ 617	\$ -	\$ -	\$ -	\$ -	\$ 267,844	\$ 268,461
Grant assistance							
Federal and Federal pass-through	941,238	-	168,944	127,384	-	157,983	1,395,549
State	-	-	94,335	-	-	512,166	606,501
Local	-	-	-	-	-	55,000	55,000
Other	-	-	83,949	-	10,000	17,505	111,454
Other revenues							
Program fees	-	-	144,616	-	-	592,412	737,028
Contract services	-	-	298,479	-	-	-	298,479
Rent	-	-	-	-	-	4,800	4,800
Interest	49	-	54	-	-	-	103
Local match	-	-	9,001	450,183	-	1,884,957	2,344,141
Other	-	-	749	-	-	643	1,392
Total support and revenues	941,904	-	800,127	577,567	10,000	3,493,310	5,822,908

<b>Expenditures</b>							
Salaries and wages	465,618	-	407,089	11,303	-	391,571	1,275,581
Employee taxes and benefits	118,414	-	97,091	2,604	-	92,780	310,889
Travel	22,383	-	12,404	-	-	35,327	70,114
Property and equipment	1,515	-	17,530	-	-	-	19,045
Mortgage payments	2,684	-	-	-	-	64,415	67,099
Supplies	12,590	-	14,101	45	-	64,793	91,529
Contractual	7,113	-	12,580	113,432	-	63,639	196,764
Communications	11,461	-	67,765	-	-	76,098	155,324
Leases	51,839	-	46,771	-	-	32,112	130,722
Rentals	2,046	-	15,184	-	-	1,474	18,704
Insurance	1,349	-	6,640	-	-	17,459	25,448
Repairs and maintenance	4,417	-	29,490	-	-	29,231	63,138
Client assistance	68,980	-	-	-	-	-	68,980
Food purchases	17,643	-	-	-	-	467,269	484,912
Other	31,967	-	98,981	-	-	151,228	282,176
Local match	-	-	9,001	450,183	-	1,884,957	2,344,141
Indirect	91,704	-	79,166	-	-	76,052	246,922
Total expenditures	911,723	-	913,793	577,567	-	3,448,405	5,851,488
Change in net assets	30,181	-	(113,666)	-	10,000	44,905	(28,580)
Net assets							
Beginning of year	14,579	-	553,562	-	-	(47,302)	520,839
End of year	44,760	\$ -	439,896	\$ -	10,000	(2,397)	492,259

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF CASH FLOWS - NON-GAAP**  
**COMMUNITY SERVICE PROGRAMS**  
For the year ended December 31, 2014

	Community Services Block Grant Program	Family Self-Sufficiency Program	Consumer Credit Counseling Services Program	Volunteer income Tax Assistance	Special Grants	Second Harvest Food Bank of Southeast NC	Total
<b>Cash flows from operating activities</b>							
Increase (decrease) in net assets	\$ 30,181	\$ -	\$ (113,666)	\$ -	\$ 10,000	\$ 44,905	\$ (28,580)
(Increase) decrease in operating assets	(1,404)	-	12,914	-	-	(47,974)	(36,464)
Accounts receivable	-	-	(16,284)	1,048	-	(146,951)	(162,187)
Grants receivable	-	-	-	-	-	4,911	4,911
Inventory	(2,315)	-	4,242	-	-	1,780	3,707
Prepaid expenses							
Increase (decrease) in operating liabilities	2,223	-	(2,065)	-	-	(22,078)	(21,920)
Accounts payable	4,436	-	2,003	-	-	2,501	8,940
Accrued salaries	4,669	-	(4,431)	-	-	5,867	6,105
Accrued vacation	-	(1)	-	-	-	-	(1)
Grant refunds payable	-	-	-	-	-	(84,038)	(84,038)
Deferred revenue	-	-	-	-	-	-	-
Due to other funds	202	-	-	-	-	-	202
<b>Net cash provided (used) by operating activities</b>	37,992	(1)	(117,287)	1,048	10,000	(241,077)	(309,325)
<b>Cash - beginning</b>	19,376	1	541,580	(1,048)	-	(46,935)	512,974
<b>Cash - ending</b>	\$ 57,368	\$ -	\$ 424,293	\$ -	\$ 10,000	\$ (288,012)	\$ 203,649

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION - NON-GAAP**  
**LOW INCOME HOUSING PROGRAMS**  
December 31, 2014

	Weatherization Program	ARRA Weatherization Program	Weatherization Program Scotland Area	Community Housing Development Program	Total
<b>Assets</b>					
Current assets					
Cash	-	-	-	131,763	131,763
Accounts receivable	1,350	-	-	810	2,160
Grants receivable	41,194	-	14,065	-	55,259
Prepaid expenses	9,864	-	1,607	331	11,802
Security deposits	838	-	-	-	838
Other assets					
Due from other funds	11,183	-	-	-	11,183
<b>Total assets</b>	<u>\$ 64,429</u>	<u>\$ -</u>	<u>\$ 15,672</u>	<u>\$ 132,904</u>	<u>\$ 213,005</u>
<b>Liabilities</b>					
Current liabilities					
Temporary bank overdraft payable	28,091	-	6,447	-	34,538
Accounts payable	14,036	-	2,942	6,465	23,443
Accrued salaries	4,465	-	1,676	-	6,141
Accrued vacation	11,279	-	4,607	-	15,886
Grant refunds payable	6,558	-	-	-	6,558
Long term liabilities					
Due to other funds	-	-	-	8,071	8,071
<b>Total liabilities</b>	<u>\$ 64,429</u>	<u>\$ -</u>	<u>\$ 15,672</u>	<u>\$ 14,536</u>	<u>\$ 94,637</u>
<b>Net assets</b>					
Unrestricted	-	-	-	118,368	118,368
Temporarily restricted	-	-	-	-	-
<b>Total net assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,368</u>	<u>\$ 118,368</u>
<b>Total liabilities and net assets</b>	<u>\$ 64,429</u>	<u>\$ -</u>	<u>\$ 15,672</u>	<u>\$ 132,904</u>	<u>\$ 213,005</u>

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF REVENUE AND FUNCTIONAL EXPENDITURES - NON-GAAP**  
**LOW INCOME HOUSING PROGRAMS**  
For the year ended December 31, 2014

	Weatherization Program	ARRA Weatherization Program	Weatherization Program Scotland Area	Community Housing Development Program	Total
<b>Support and revenues</b>					
Contributions	\$ 122	\$ -	\$ -	\$ -	\$ 122
Grant assistance					
Federal and Federal pass-through	1,352,205	-	20,442	13,611	1,386,258
Other revenues					
Program fees	6,455	-	-	-	6,455
Rent	-	-	-	47,536	47,536
Total support and revenues	<u>1,358,782</u>	<u>-</u>	<u>20,442</u>	<u>61,147</u>	<u>1,440,371</u>
<b>Expenditures</b>					
Salaries and wages	269,015	-	6,283	-	275,298
Employee taxes and benefits	77,336	-	-	-	77,336
Travel	22,211	-	-	-	22,211
Supplies	11,723	-	10	414	12,147
Contractual	269,705	-	86	30,409	300,200
Communications	13,860	-	-	-	13,860
Leases	20,635	-	-	-	20,635
Rentals	3,892	-	-	-	3,892
Insurance	8,113	-	-	1,299	9,412
Repairs and maintenance	7,060	-	9,050	66,055	82,165
Client assistance	581,415	-	956	-	582,371
Other	30,282	-	3,070	7,555	40,907
Indirect	43,535	-	987	-	44,522
Total expenditures	<u>1,358,782</u>	<u>-</u>	<u>20,442</u>	<u>105,732</u>	<u>1,484,956</u>
Change in net assets	-	-	-	(44,585)	(44,585)
Net assets					
Beginning of year	-	-	-	162,953	162,953
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,368</u>	<u>\$ 118,368</u>

**ACTION PATHWAYS, INC.**

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

For the year ended December 31, 2014

	Weatherization Program	ARRA Weatherization Program	Weatherization Program Scotland Area	Community Housing Development Program	Total
<b>Cash flows from operating activities</b>					
Increase (decrease) in net assets	\$ -	\$ -	\$ -	\$ (44,585)	\$ (44,585)
(Increase) decrease in operating assets					
Accounts receivable	(1,285)	-	-	-	(1,285)
Grants receivable	126,981	-	(14,065)	-	112,916
Prepaid expenses	3,951	-	(1,607)	(23)	2,321
Due from other funds	(11,183)	-	-	-	(11,183)
Increase (decrease) in operating liabilities					
Accounts payable	(19,996)	-	2,942	6,364	(10,690)
Accrued salaries	(2,030)	-	1,676	-	(354)
Accrued vacation	(2,587)	-	4,607	-	2,020
Grant refunds payable	(1)	(350)	-	-	(351)
Due to other funds	-	-	-	6,399	6,399
<b>Net cash provided (used) by operating activities</b>	<u>93,850</u>	<u>(350)</u>	<u>(6,447)</u>	<u>(31,845)</u>	<u>55,208</u>
<b>Cash - beginning</b>	<u>(121,941)</u>	<u>350</u>	<u>-</u>	<u>163,608</u>	<u>42,017</u>
<b>Cash - ending</b>	<u><u>\$ (28,091)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (6,447)</u></u>	<u><u>\$ 131,763</u></u>	<u><u>\$ 97,225</u></u>

**ACTION PATHWAYS, INC.**

STATEMENT OF SUPPORT, REVENUE, EXPENDITURES , AND CHANGES IN NET ASSETS - NON-GAAP

HEAD START PROGRAM GRANT NUMBER 04-CH2139/48

For the year ended December 31, 2014

**Revenue and support**

**Government Grants**

Department of Health and Human Services - Head Start

Current year - new obligations

Full year-part day and special needs (PA-22)	\$ 6,383,572
Training and technical assistance (PA-20)	65,593
Early program (PA-25)	1,868,111
Training and technical assistance (PA-21)	<u>41,461</u>
Total Head Start funds	<u>8,358,737</u>

**Other revenue and public support**

USDA reimbursement grants	668,275
Grantees non federal share - budget amount	1,701,162
USDA adult lunch revenue	141,447
Child care reimbursement	150
Other	<u>167,869</u>
Total other revenue and public support	<u>2,678,903</u>

**Total revenue** 11,037,640

**Expenditures**

**Government grants**

Head Start

Full year-part day (PA-22)

Direct costs

Salaries and wages	3,323,858
Fringe benefits	1,252,949
Expendable equipment and equipment rental	19,705
Supplies	114,396
Contractual and space costs	292,482
Other	<u>829,554</u>

Subtotal 5,832,944

Indirect costs 718,647

Total 6,551,591

Training and technical assistance (PA-20)

Direct costs

Travel 65,593

Early (PA-25)

Direct costs

Salaries and wages	1,019,579
Fringe benefits	315,682
Expendable equipment and equipment rental	6,543
Supplies	81,987
Contractual and space costs	55,628
Other	<u>179,030</u>

Subtotal 1,658,449

Indirect costs 209,662

Total 1,868,111

Training and technical assistance (PA-21)

Direct costs

Travel 41,461

Total Head Start 8,526,756

<b>Other expenditures</b>	
USDA reimbursement funds	
Direct costs	
Salaries and wages	100,986
Fringe benefits	33,097
Supplies	36,434
Contractual and space costs	7,116
Other	<u>611,035</u>
Subtotal	788,668
Indirect costs	<u>21,054</u>
Total USDA	<u>809,722</u>
Public support	
Head Start full year part-day (PA-22)	
In-kind contributions (see note below)	1,644,302
Head Start early (PA-25)	
In-kind contributions (see note below)	<u>56,860</u>
Total public support	<u>1,701,162</u>
<b>Total expenditures</b>	<u>11,037,640</u>
<b>Change in net assets</b>	-
<b>Net assets - beginning of year</b>	<u>1,091</u>
<b>Net assets - end of year</b>	<u>\$ 1,091</u>
<b>Analysis of net assets</b>	
Temporarily restricted	
NC Transition Grant	<u>\$ 1,091</u>

Head Start administrative costs calculation

Administrative costs divided by grant revenue \$1,095,738 / 10,059,899 = 10.9%

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

NOTE - In-kind contributions on this statement include volunteer labor in the amount of \$128,933 that do not meet the criteria for recognition under generally accepted accounting principles. These amounts are included on this statement for grantor matching purposes but are excluded from the basic financial statements prepared in accordance with generally accepted accounting principles.

**ACTION PATHWAYS, INC.**  
STATEMENT OF SUPPORT, REVENUE, EXPENDITURES , AND CHANGES IN NET ASSETS - NON-GAAP  
COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBERS 28527 and 30458  
For the year ended December 31, 2014

	Grant period Ending June 30, 2014	Grant period Ending June 30, 2015	Total
<b>Public support, government grants and revenues</b>			
Local matching	\$ -	\$ -	\$ -
Direct (private donations)	100	517	617
Interest income	22	27	49
Government grants			
Federal pass through	393,745	547,493	941,238
<b>Total public support, government grants and revenues</b>	<u>393,867</u>	<u>548,037</u>	<u>941,904</u>
<b>Expenditures</b>			
Direct costs			
Salaries and wages	209,724	255,894	465,618
Fringe benefits	58,176	60,238	118,414
Communications	5,599	5,862	11,461
Space costs	31,126	32,332	63,458
Travel	4,762	17,621	22,383
Contractual	3,648	3,465	7,113
Supplies and materials	5,823	6,767	12,590
Client assistance	37,592	49,031	86,623
Equipment	-	1,515	1,515
Other	10,769	20,075	30,844
Total direct costs	<u>367,219</u>	<u>452,800</u>	<u>820,019</u>
Indirect costs	<u>38,379</u>	<u>53,325</u>	<u>91,704</u>
<b>Total expenditures</b>	<u>405,598</u>	<u>506,125</u>	<u>911,723</u>
<b>Change in net assets</b>	(11,731)	41,912	30,181
<b>Net assets</b>			
Beginning of year	<u>14,579</u>	-	<u>14,579</u>
End of year	<u>\$ 2,848</u>	<u>\$ 41,912</u>	<u>\$ 44,760</u>
<b>Analysis of net assets</b>			
CSBG programs	\$ -	\$ 41,912	\$ 41,912
Nongrant funds - temporarily restricted	2,848	-	2,848
	<u>\$ 2,848</u>	<u>\$ 41,912</u>	<u>\$ 44,760</u>



**ACTION PATHWAYS, INC.**  
 STATEMENT OF SUPPORT, REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL - NON-GAAP  
 COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBER 28527  
 For the six months and year ended June 30, 2014

	Six months ended June 30, 2014	Six months ended December 31, 2013	Total	Budget	Variance Favorable (Unfavorable)
<b>Public support, government grants and revenues</b>					
Local matching	\$ -	\$ 75,853	\$ 75,853	\$ -	\$ 75,853
Direct (private donations)	100	394	494	-	494
Interest income	22	34	56	-	56
Government grants					
Federal pass through	393,745	395,091	788,836	802,090	(13,254)
<b>Total public support, government grants and revenues</b>	<b>393,867</b>	<b>471,372</b>	<b>865,239</b>	<b>802,090</b>	<b>63,149</b>
<b>Expenditures</b>					
Direct costs					
Salaries and wages	209,724	214,137	423,861	420,344	3,517
Fringe benefits	58,176	51,773	109,949	111,420	(1,471)
Communications	5,599	5,235	10,834	11,580	(746)
Space costs	31,126	33,318	64,444	67,212	(2,768)
Travel	4,762	5,047	9,809	13,003	(3,194)
Contractual	3,648	4,379	8,027	8,970	(943)
Supplies and materials	5,823	3,908	9,731	10,620	(889)
Client assistance	37,592	15,749	53,341	69,240	(15,899)
Equipment	-	-	-	-	-
Other	10,769	80,831	91,600	11,000	80,600
<b>Total direct costs</b>	<b>367,219</b>	<b>414,377</b>	<b>781,596</b>	<b>723,389</b>	<b>58,207</b>
Indirect costs	38,379	45,264	83,643	78,701	4,942
<b>Total expenditures</b>	<b>405,598</b>	<b>459,641</b>	<b>865,239</b>	<b>802,090</b>	<b>63,149</b>
<b>Change in net assets</b>	<b>(11,731)</b>	<b>11,731</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net assets</b>					
Beginning of year	-	2,848	2,848		
End of year	<b>\$ (11,731)</b>	<b>\$ 14,579</b>	<b>\$ 2,848</b>		
<b>Analysis of net assets</b>					
CSBG programs	\$ -	\$ -	\$ -		
Nongrant funds - temporarily restricted	\$ -	2,848	2,848		
	<b>\$ -</b>	<b>\$ 2,848</b>	<b>\$ 2,848</b>		

**ACTION PATHWAYS, INC.**

STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL - NON-GAAP

COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBER 30458

Grant period July 1, 2014 through June 30, 2015

As of December 31, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Public support, government grants and revenues</b>			
Local matching	\$ -	\$ -	\$ -
Direct (private donations)	-	517	517
Interest income	-	27	27
Government grants			
Federal pass through	<u>1,133,889</u>	<u>547,493</u>	<u>1,681,382</u>
<b>Total public support, government grants and revenues</b>	<u>1,133,889</u>	<u>548,037</u>	<u>1,681,926</u>
<b>Expenditures</b>			
Direct costs			
Salaries and wages	530,843	255,894	786,737
Fringe benefits	148,049	60,238	208,287
Communications	14,100	5,862	19,962
Space costs	71,940	32,332	104,272
Travel	34,673	17,621	52,294
Contractual	14,280	3,465	17,745
Supplies and materials	25,932	6,767	32,699
Client assistance	163,620	49,031	212,651
Equipment	2,104	1,515	3,619
Other	<u>27,872</u>	<u>20,075</u>	<u>47,947</u>
Total direct costs	1,033,413	452,800	1,486,213
Indirect costs	<u>100,476</u>	<u>53,325</u>	<u>153,801</u>
<b>Total expenditures</b>	<u>1,133,889</u>	<u>506,125</u>	<u>1,640,014</u>
<b>Change in net assets</b>	<u>\$ -</u>	41,912	41,912
<b>Net assets</b>			
July 1, 2014		<u>2,848</u>	<u>2,848</u>
December 31, 2014		<u>\$ 44,760</u>	<u>\$ 44,760</u>
<b>Analysis of net assets</b>			
CSBG programs		\$ 41,912	\$ 41,912
Nongrant funds - temporarily restricted		<u>2,848</u>	<u>2,848</u>
		<u>\$ 44,760</u>	<u>\$ 44,760</u>

**ACTION PATHWAYS, INC.**  
**STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND NET ASSETS - BUDGET AND ACTUAL - NON-GAAP**  
**WEATHERIZATION, HAARP, AND LIHEAP PROGRAMS CONTRACT NUMBER 1410WA**  
 Grant period July 1, 2013 through June 30, 2014

	Six months ended December 31, 2013	Six months ended June 30, 2014	Total	Budget	Variance Favorable (Unfavorable)
<b>WEATHERIZATION</b>					
<b>Public support, government grants and revenues</b>					
Grant funds					
Total grant	\$ 22,031	\$ 27,149	\$ 49,180	\$ 49,180	\$ -
Reduction for unexpended grant funds	-	-	49,180	49,180	-
<b>Total public support, government grants and revenues</b>	<b>22,031</b>	<b>27,149</b>	<b>49,180</b>	<b>49,180</b>	<b>-</b>
<b>Expenditures</b>					
Administration	19,217	22,108	41,325	41,325	-
Training and technical assistance	2,314	5,041	7,855	7,855	-
Health and safety	-	-	-	-	-
Liability insurance	-	-	-	-	-
Materials	-	-	-	-	-
Program operations	-	-	-	-	-
<b>Total expenditures</b>	<b>22,031</b>	<b>27,149</b>	<b>49,180</b>	<b>49,180</b>	<b>-</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>HAARP</b>					
<b>Public support, government grants and revenues</b>					
Landlord contributions					
Grant funds					
Total grant	\$ 7,825	\$ 5,500	\$ 13,325	\$ -	\$ 13,325
Reduction for unexpended grant funds	-	(5,796)	(5,796)	444,994	(1,733)
<b>Total public support, government grants and revenues</b>	<b>7,825</b>	<b>317,997</b>	<b>443,261</b>	<b>444,994</b>	<b>(1,733)</b>
<b>Expenditures</b>					
Administration	4,414	2,887	7,301	7,301	-
Materials	75,608	216,032	291,640	304,300	(12,660)
Program operations	53,667	98,182	151,849	133,393	18,456
<b>Total expenditures</b>	<b>133,689</b>	<b>317,101</b>	<b>450,790</b>	<b>444,994</b>	<b>5,796</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>LIHEAP</b>					
<b>Public support, government grants and revenues</b>					
Landlord contributions					
Local matching					
Grant funds					
Total grant	\$ 915	\$ 405	\$ 1,320	\$ -	\$ 1,320
Reduction for unexpended grant funds	99	-	99	-	99
<b>Total public support, government grants and revenues</b>	<b>915</b>	<b>405</b>	<b>1,320</b>	<b>911,727</b>	<b>(1,420)</b>
<b>Expenditures</b>					
Administration	2,266	-	2,266	2,266	-
Health and safety	1,605	2,559	4,165	4,500	(335)
Liability insurance	86,086	74,668	160,754	156,000	4,754
Materials	285,877	306,546	592,423	599,961	(7,538)
Program operations	64,647	82,808	147,455	149,000	(1,545)
Local matching	99	-	99	-	99
<b>Total expenditures</b>	<b>440,581</b>	<b>466,581</b>	<b>907,162</b>	<b>911,727</b>	<b>(4,565)</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,419)</b>	<b>\$ -</b>	<b>\$ -</b>

**ACTION PATHWAYS, INC.**  
STATEMENT OF FINANCIAL POSITION - NON-GAAP  
SECOND HARVEST FOOD BANK OF SOUTHEAST NC  
UNAUDITED  
December 31, 2014

**Assets**

Current assets

Accounts receivable	\$	105,918
Grants receivable		187,432
Inventories		1,522,970
Prepaid expenses		11,089
<b>Total assets</b>	<b>\$</b>	<b>1,827,409</b>

**Liabilities**

Current liabilities

Temporary bank overdraft payable	\$	288,012
Accounts payable		17,425
Accrued salaries		7,478
Accrued vacation		23,693
Grant refunds payable		8,766

Long term liabilities

Due to other funds		38,970
<b>Total liabilities</b>		<b>384,344</b>

**Net assets**

Unrestricted		1,395,565
Temporarily restricted		47,500
<b>Total net assets</b>		<b>1,443,065</b>

<b>Total liabilities and net assets</b>	<b>\$</b>	<b>1,827,409</b>
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**ACTION PATHWAYS, INC.**  
**STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES - NON-GAAP**  
**SECOND HARVEST FOOD BANK OF SOUTHEAST NC**  
**UNAUDITED**  
For the year ended December 31, 2014

<b>Support and revenues</b>	
Grant assistance	
Federal and Federal pass-through	\$ 157,983
State	512,166
Local	55,000
Other	17,505
Total grants	<u>742,654</u>
Donations	
Cash	267,844
Food	15,643,928
Total donations	<u>15,911,772</u>
Fees	
Shared maintenance	579,178
Dues	13,234
total fees	<u>592,412</u>
Other	<u>5,443</u>
<b>Total support and revenues</b>	<u><b>17,252,281</b></u>
<b>Expenditures</b>	
Administration	
Personnel	63,356
Payroll taxes	5,835
Fringe benefits	7,765
Supplies	2,564
Contractual and space	8,726
Other	12,069
Indirect	76,052
Total administration	<u>176,367</u>
Operating	
Personnel	289,058
Payroll taxes	24,490
Fringe benefits	45,413
Travel	8,596
Supplies	51,389
Contractual and space	193,825
Food purchases	467,269
Donated food distributed	15,327,418
Other	174,331
Total operating	<u>16,581,789</u>
Fundraising	
Personnel	39,157
Payroll taxes	3,369
Fringe benefits	5,909
Supplies	5,995
Contractual and space	17,464
Other	60,816
Total fundraising	<u>132,710</u>
<b>Total expenditures</b>	<u><b>16,890,866</b></u>
<b>Adjustment to net assets</b>	<u><b>\$ 361,415</b></u>

See Note 2 to the Financial Statements for Inventory and Donated Food explanations

# HAIGH, BYRD & LAMBERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
1007 HAY STREET  
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FAYETTEVILLE, NORTH CAROLINA 28305

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of 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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Action Pathways, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, 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 July 9, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Action Pathways, Inc.'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 Action Pathways, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Action Pathways, Inc.'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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Action Pathways, Inc.'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.

*Haij, Byrd & Lambert, LLP*

Certified Public Accountants  
Fayetteville, North Carolina  
July 9, 2015

# HAIGH, BYRD & LAMBERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
1007 HAY STREET  
POST OFFICE BOX 53349  
FAYETTEVILLE, NORTH CAROLINA 28305

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

### Report on Compliance for Each Major Federal Program

We have audited Action Pathways, Inc.'s compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Action Pathways, Inc.'s major federal programs for the year ended December 31, 2014. Action Pathways, Inc.'s major federal programs are identified in the summary of auditors' 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Action Pathways, Inc.'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Action Pathways, Inc.'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 Action Pathways, Inc.'s compliance.

### Opinion on Each Major Federal Program

In our opinion, Action Pathways, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.



## Report on Internal Control Over Compliance

Management of Action Pathways, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Action Pathways, Inc.'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 OMB Circular A-133, 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 Action Pathways, Inc.'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*High, Byrd & Lambert, LLP*

Certified Public Accountants  
Fayetteville, North Carolina  
July 9, 2015

**ACTION PATHWAYS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended December 31, 2014

Section I - Summary of Auditors' Results

**Financial Statements**

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
* Material Weakness(es) identified?	_____	yes	_x_	no
* Significant Deficiency(s) identified that are not considered to be material weaknesses?	_____	yes	_x_	none reported
Noncompliance material to financial statements noted?	_____	yes	_x_	no

**Federal Awards**

Internal control over major federal programs:				
* Material Weakness(es) identified?	_____	yes	_x_	no
* Significant Deficiency(s) identified that are not considered to be material weaknesses?	_____	yes	_x_	none reported
Noncompliance material to federal awards noted?	_____	yes	_x_	no
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____	yes	_x_	no
Major federal programs:				

<i>CFDA Number</i>	<i>Name of Federal Program</i>
10.558	Child and Adult Care Food Program
21.009	Volunteer Income Tax Assistance (VITA) Matching Grant
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs:	\$407,251			
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.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the year ended December 31, 2014

<b>Federal Grantor/Nonfederal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>	<b>In-kind program income and other local Expenditures</b>
U.S. Department of Health and Human Services			
Head Start (Note 2)	93.600	\$ 8,358,737	\$ 1,701,162
Passed through N.C. Department of Health and Human Services			
Community Services Block Grant	93.569	911,057	-
Social Services Block Grant			
Administration for Children and Families	93.667	71,642	-
Low-Income Home Energy Assistance Program - Heating and Air Repair and Replacement Program	93.568	459,722	5,500
Low-Income Home Energy Assistance Program - Heating and Air Repair and Replacement Program - Scotland Area	93.568	1,626	-
Low-Income Home Energy Assistance Program - Weatherization	93.568	839,768	955
Low-Income Home Energy Assistance Program - Weatherization - Scotland Area	93.568	17,574	-
Total Department of Health and Human Services		<u>10,660,126</u>	<u>1,707,617</u>
U.S. Department of Agriculture			
Passed through N.C. Department of Health and Human Services			
Child and Adult Care Food Program	10.558	668,275	-
Emergency Food Assistance Cluster			
Passed through N.C. Department of Agriculture			
Emergency Food Assistance Program (Administrative costs)	10.568	86,341	-
Emergency Food Assistance Program (Food commodities)	10.569	<u>1,796,383</u>	-
Total Emergency Food Assistance Cluster		<u>1,882,724</u>	-
Total U.S. Department of Agriculture		<u>2,550,999</u>	-
U.S. Department of Energy			
Passed through N.C. Department of Commerce			
Weatherization Assistance Program for Low-Income Persons	81.042	52,715	-
Weatherization Assistance Program for Low-Income Persons - Scotland Area	81.042	<u>1,242</u>	-
Total U.S. Department of Energy		<u>53,957</u>	-
U.S. Department of Housing and Urban Development			
Housing Counseling Assistance Program	14.169	3,204	-
Passed through City of Fayetteville			
Fair Housing Assistance Program	14.850	2,900	-
HOME Investment Partnership Program	14.239	13,611	-
CDBG Entitlement Grants Cluster			
Passed through City of Goldsboro			
Community Development Block Grant/Entitlement Grants	14.218	5,000	-
Passed through City of Fayetteville			
Community Development Block Grant/Entitlement Grants	14.218	<u>8,620</u>	-
Total U.S. Department of Housing and Urban Development		<u>33,335</u>	-
U.S. Department of Treasury			
Internal Revenue Service - VITA Matching Grant (Note 2)	21.009	<u>127,384</u>	<u>450,183</u>
Neighborhood Works America			
Passed through N.C. Housing Finance Agency			
Foreclosure Counseling Mitigation Program	21.000	<u>149,220</u>	-
<b>Total Expenditures of Federal Awards</b>		<u><b>13,575,021</b></u>	<u><b>2,157,800</b></u>
State of N.C. grant programs			
State Nutrition Assistance Grant		343,031	-
Department of Justice		171,683	-
2012 National Mortgage Settlement		<u>94,335</u>	-
<b>Total Expenditures of State Awards</b>		<u><b>609,049</b></u>	-
<b>Total Expenditures of Federal and State Awards</b>		<u><b>\$ 14,184,070</b></u>	<u><b>\$ 2,157,800</b></u>

**ACTION PATHWAYS, INC.**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the year ended December 31, 2014

**Note 1** *Basis of Presentation*

The foregoing schedule of expenditures of federal and state awards includes the grant activity of Action Pathways, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2** *In-kind Contributions*

In-kind, program income, and other local expenditures include in-kind contributions of \$1,701,162. Donated services not meeting the provisions of accounting principles generally accepted in the United States of America (those not requiring specific expertise), valued at \$128,933 for the year ended December 31, 2014 have been eliminated for financial statement purposes for the Head Start grant and \$450,183 for the VITA grant.

**Note 3** *Food Commodities*

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed. At December 31, 2014, the Organization had food commodities totaling \$77,508 in inventory. Food commodities are received and disbursed by the Organization. The Organization is not the controlling Organization and therefore, the commodities are not reported for financial statement purposes.

**ACTION PATHWAYS, INC.**  
**RESOLUTION OF MATTERS RELATING TO THE PRIOR YEAR AUDIT**  
December 31, 2014

There were no findings or questioned costs for fiscal year ended December 31, 2013 relative to Federal Award Programs.