

# **ACTION PATHWAYS, INC.**

Fayetteville, North Carolina

FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION, OTHER DATA  
AND COMPLIANCE SECTIONS

For the year ended December 31, 2015 (with comparative totals for December 31, 2014)

**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, 2015, 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, 2015, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative 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 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 August 11, 2016, 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  
August 11, 2016

**ACTION PATHWAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2015 (with comparative totals for December 31, 2014)

	2015	2014 (restated)
<b>Assets</b>		
Current assets		
Cash	\$ 1,197,175	\$ 984,733
Investments	640,035	671,973
Accounts receivable	474,982	414,918
Grants receivable	866,112	625,105
Inventories	191,501	87,698
Prepaid expenses	123,451	356,795
Security deposits	7,705	7,705
Total current assets	3,500,961	3,148,927
Property and equipment, net	5,039,155	5,139,824
<b>Total assets</b>	<b>\$ 8,540,116</b>	<b>\$ 8,288,751</b>
<b>Liabilities</b>		
Current liabilities		
Current portion of long term debt	\$ 95,011	\$ 695,878
Accounts payable	455,467	299,283
Accrued salaries	103,366	152,700
Accrued vacation	255,184	262,704
Grant refunds payable	106,064	106,063
Deferred revenue	3,784	-
Total current liabilities	1,018,876	1,516,628
Long term liabilities		
Non-current portion of long term debt	1,082,498	572,078
<b>Total liabilities</b>	2,101,374	2,088,706
<b>Net assets</b>		
Unrestricted	6,313,690	6,096,694
Temporarily restricted	125,052	103,351
<b>Total net assets</b>	6,438,742	6,200,045
<b>Total liabilities and net assets</b>	<b>\$ 8,540,116</b>	<b>\$ 8,288,751</b>

**ACTION PATHWAYS, INC.**

STATEMENT OF ACTIVITIES

For the year ended December 31, 2015 (with comparative totals for December 31, 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 (restated) Total
<b>Public support and revenue</b>				
Contributions	\$ 334,258	\$ -	\$ 334,258	\$ 268,858
Federal financial assistance	14,451,403	840,816	15,292,219	13,605,202
State financial assistance	144,949	-	144,949	606,501
Local grants	74,986	-	74,986	55,000
Other grants	156,244	55,588	211,832	112,654
Donated services, materials, and space	2,060,443	-	2,060,443	1,572,229
Program fees and other	955,068	-	955,068	1,066,365
Contract services	1,604,647	-	1,604,647	1,425,776
Rent	62,926	-	62,926	52,336
Realized gains on investments	10,635	-	10,635	13,234
Unrealized (losses) on investments	(51,500)	-	(51,500)	4,758
Interest and dividends	15,981	-	15,981	9,714
Interfund charges	1,347,094	-	1,347,094	1,345,471
<b>Total public support and revenue</b>	<u>21,167,134</u>	<u>896,404</u>	<u>22,063,538</u>	<u>20,138,098</u>
<b>Net assets released from restrictions</b>				
Satisfaction of program restrictions				
Community Services	874,703	(874,703)	-	-
<b>Total net assets released</b>	<u>874,703</u>	<u>(874,703)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>22,041,837</u>	<u>21,701</u>	<u>22,063,538</u>	<u>20,138,098</u>
<b>Expenses</b>				
Program services				
Early Childhood Development	12,535,749	-	12,535,749	11,997,713
Community Services	4,885,741	-	4,885,741	5,331,710
Low Income Housing	3,035,812	-	3,035,812	1,486,129
Total program services	<u>20,457,302</u>	<u>-</u>	<u>20,457,302</u>	<u>18,815,552</u>
Supporting services				
Management and Administration	1,361,483	-	1,361,483	1,354,048
Ways and Means	56	-	56	-
Investment Account	6,000	-	6,000	5,000
Total supporting services	<u>1,367,539</u>	<u>-</u>	<u>1,367,539</u>	<u>1,359,048</u>
<b>Total expenses</b>	<u>21,824,841</u>	<u>-</u>	<u>21,824,841</u>	<u>20,174,600</u>
<b>Change in net assets</b>	216,996	21,701	238,697	(36,502)
<b>Net assets</b>				
Beginning of year (restated)	<u>6,096,694</u>	<u>103,351</u>	<u>6,200,045</u>	<u>6,236,547</u>
<b>End of year</b>	<u>\$ 6,313,690</u>	<u>\$ 125,052</u>	<u>\$ 6,438,742</u>	<u>\$ 6,200,045</u>

**ACTION PATHWAYS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2015 (with comparative totals for December 31, 2014)

	Program Services				Supporting Services			2014 (restated) Total
	Early Childhood Development	Community Services	Low Income Housing	Ways and Means	Management and Administration	Investment Account	2015 Total	
<b>Expenditures</b>								
Salaries and wages	\$ 4,899,044	\$ 1,184,121	\$ 475,988	\$ -	\$ 836,265	\$ -	\$ 7,395,418	\$ 7,257,998
Employee taxes and benefits	1,837,913	323,971	132,112	-	211,611	-	2,505,607	2,349,900
Travel	100,044	29,105	14,957	-	4,823	-	148,929	292,397
Property and equipment	77,708	-	165,153	-	-	-	242,861	468,140
Mortgage payments	93,518	68,599	-	-	-	-	162,117	153,079
Supplies	352,798	36,552	42,755	-	29,746	-	461,851	425,742
Contractual	549,968	195,956	812,824	-	89,542	-	1,648,290	744,116
Communications	259,459	129,952	22,509	-	20,562	-	432,482	444,676
Leases	199,205	101,592	45,783	-	26,344	-	372,924	385,079
Rentals	8,251	16,303	3,231	-	4,463	-	32,248	36,941
Insurance	80,264	25,051	13,631	-	17,117	-	136,063	129,356
Repairs and maintenance	191,285	94,791	37,596	-	34,954	-	358,626	358,088
Food purchases and USDA commodities used	697,413	1,546,997	-	-	1,508	-	2,245,918	3,020,420
Client assistance	-	99,663	1,220,872	-	-	-	1,320,535	651,351
Other	512,169	271,726	82,998	56	70,264	6,000	943,213	731,190
Local match	1,563,287	497,156	-	-	-	-	2,060,443	1,572,229
Indirect	1,028,015	226,550	92,529	-	-	-	1,347,094	1,345,471
<b>Total expenditures</b>	<b>12,450,341</b>	<b>4,848,085</b>	<b>3,162,938</b>	<b>56</b>	<b>1,347,199</b>	<b>6,000</b>	<b>21,814,619</b>	<b>20,366,173</b>
<b>Adjustments to convert to expenses</b>								
Deduct principal mortgage payments	(56,605)	(33,842)	-	-	-	-	(90,447)	(85,266)
Deduct property and equipment capitalized	(77,708)	-	(165,153)	-	-	-	(242,861)	(468,140)
Add depreciation and loss on abandonment	219,721	71,498	38,027	-	14,284	-	343,530	361,833
	\$ 12,535,749	\$ 4,885,741	\$ 3,035,812	\$ 56	\$ 1,361,483	\$ 6,000	\$ 21,824,841	\$ 20,174,600

**ACTION PATHWAYS, INC.**

**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2015 (with comparative totals for December 31, 2014)

	2015	2014 (restated)
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 238,697	\$ (36,502)
Adjustments to reconcile to net assets provided		
Depreciation	333,638	357,012
Loss on disposal of fixed assets	9,892	4,821
Realized and unrealized (gain) loss on investments	40,865	(17,992)
(Increase) decrease in operating assets		
Accounts receivable	(60,064)	10,953
Grants receivable	(241,007)	(72,421)
Inventory	(103,803)	3,452
Prepaid expenses	233,344	(66,425)
Increase (decrease) in operating liabilities		
Accounts payable	156,184	(62,515)
Accrued salaries	(49,334)	40,631
Accrued vacation	(7,520)	(5,172)
Grant refunds payable	1	(352)
Deferred revenue	3,784	(107,114)
<b>Net cash provided by operating activities</b>	<b>554,677</b>	<b>48,376</b>
<b>Cash flows from investing activities</b>		
Expended for property and equipment	(242,861)	(468,140)
Proceeds from sale of investments	505,429	532,106
Purchase of investments	(514,356)	(1,186,087)
<b>Net cash used by investing activities</b>	<b>(251,788)</b>	<b>(1,122,121)</b>
<b>Cash flows from financing activities</b>		
Repayment of notes payable	(90,447)	(85,266)
<b>Net cash used by financing activities</b>	<b>(90,447)</b>	<b>(85,266)</b>
<b>Net increase (decrease) in cash</b>	212,442	(1,159,011)
<b>Cash - beginning</b>	984,733	2,143,744
<b>Cash - ending</b>	<b>\$ 1,197,175</b>	<b>\$ 984,733</b>
<b>Supplemental disclosure</b>		
Interest paid	<b>\$ 71,670</b>	<b>\$ 67,813</b>



**ACTION PATHWAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**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, 2014, 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, 2015, the collected balance at one financial institution exceeded FDIC coverage by a total of \$340,671.

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, 2015. 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, 2015, at \$599,153. Therefore, the total inventory reported on the unaudited non-GAAP schedule is \$780,895.

*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, 2015, the Second Harvest Food Bank of Southeast North Carolina received approximately 8,086,580 pounds of donated food and distributed approximately 7,867,678 pounds of the donated food to member agencies. The donated food was valued at \$1.70 per pound and therefore amounts to \$13,747,186 received and \$13,375,053 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 \$100,839 for the year ending December 31, 2015 is eliminated for financial statement purposes.

Second Harvest Food Bank of Southeast North Carolina benefited from approximately 18,903 hours of volunteer labor in association with the local County Workers Project for the year ending December 31, 2015. Donated services not meeting the provisions of generally accepted accounting principles (those not requiring specific expertise), valued at \$413,598 for the year ending December 31, 2015 were not recorded for financial statement purposes.

CCCS sponsored Volunteer Income Tax Assistance (VITA) program and Financial Literacy Education and benefited from 2006 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 \$42,816 for the year ending December 31, 2015 were not recorded for financial statement purposes.

### *Expense allocation*

Management and general expenses are allocated to various programs based on an approved indirect cost allocation plan. The plan allocated these costs on the basis of direct labor costs including fringe benefits and donated services. The final rate for 2015 as determined by the Organization is 15.2%.

### *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, 2015 was \$110,966.

### *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, Early Head Start, Child Nutrition, and State Child Development Program - 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.
- Consumer Credit Counseling Services – This program provides financial literacy, credit and housing counseling.

**NOTES TO FINANCIAL STATEMENTS – continued**

- Home Investment Partnership 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.
- 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.
- 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, 2015:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 27,795	\$ -	\$ -	\$ 27,795
Mutual funds	612,240			612,240
	<u>\$ 640,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 640,035</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, 2015 was as follows:

	Balance as restated			Balance December 31, 2015
	January 1, 2015	Additions	Retirements	
<b>By Asset Type</b>				
Land	\$ 509,732	\$ -	\$ -	\$ 509,732
Vehicles	2,119,919	66,000	-	2,185,919
Equipment	1,955,504	25,341	38,460	1,942,385
Buildings and improvements	5,706,145	151,520	5,501	5,852,164
	<u>\$ 10,291,300</u>	<u>\$ 242,861</u>	<u>\$ 43,961</u>	<u>\$ 10,490,200</u>
<b>By Function</b>				
Consumer Credit Counseling Service	\$ 55,360	\$ -	\$ -	\$ 55,360
Head Start	4,642,065	11,708	33,026	4,620,747
Early Head Start	-	66,000	-	66,000
State Child Development programs	2,624,328	-	-	2,624,328
USDA	6,766	-	-	6,766
CSBG	189,037	-	2,156	186,881
Family Self-sufficiency	2,870	-	-	2,870
Home Investment Partnership	528,041	151,519	5,500	674,060
Weatherization	28,031	13,634	1,073	40,592
Ways and Means	20,500	-	-	20,500
Second Harvest Food Bank	1,391,724	-	2,206	1,389,518
Weatherization - ARRA	176,197	-	-	176,197
Corporate	626,381	-	-	626,381
	<u>10,291,300</u>	<u>\$ 242,861</u>	<u>\$ 43,961</u>	<u>10,490,200</u>
Accumulated depreciation	<u>5,151,476</u>	<u>\$ 333,638</u>	<u>\$ 34,069</u>	<u>5,451,045</u>
	<u>\$ 5,139,824</u>			<u>\$ 5,039,155</u>

**NOTES TO FINANCIAL STATEMENTS - continued**

**Note 5 – Long-term debt**

Long-term debt at December 31, 2015 consisted of the following:

Note payable in monthly installments of \$6,698, including interest at 4.65% with a maturity date of June 19, 2025; secured by real property at 2229 Southern Avenue, Fayetteville, North Carolina.	\$ 606,589
Note payable in monthly installments of \$5,591, including interest at 4.45% with a maturity date of October 31, 2027; secured by a Food Distribution Center at 406 Deep Creek Road, Fayetteville, North Carolina.	<u>570,920</u>
	1,177,509
Less current portion	<u>95,011</u>
	<u><u>\$ 1,082,498</u></u>

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

	Food Distribution Center	Southern Avenue Mortgage	Total
2016	\$ 42,554	\$ 52,457	\$ 95,011
2017	44,486	55,065	99,551
2018	46,507	57,718	104,225
2019	48,619	60,499	109,118
2020	50,827	63,363	114,190
Thereafter	<u>337,927</u>	<u>317,487</u>	<u>655,414</u>
	<u>\$ 570,920</u>	<u>\$ 606,589</u>	<u>\$ 1,177,509</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, 2015.



## 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, 2015 was \$372,924.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2015 are as follows:

Year ending December 31,		
2016	\$	143,317
2017		54,600
2018		27,300
2019		-
2020		-
Thereafter		-
	\$	<u>225,217</u>

### Note 8 – Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2015 are available for the following purposes:

Early Childhood Development programs	\$	1,091
Community Services programs		68,373
Child Hunger initiative		10,000
Backpack program		6,000
Operation Round Up		5,000
Acquisition and storage of food		34,588
	\$	<u>125,052</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 \$106,064 has been made in these financial statements for refund of grant monies.

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

### Note 10 – Subsequent events

The Organization has evaluated subsequent events through August 11, 2016, the date on which the financial statements were available to be issued.

## **NOTES TO FINANCIAL STATEMENTS - continued**

### **Note 11 – Reclassifications and Prior Period Adjustments**

Certain reclassifications have been made to the prior period amounts in order to conform to the current year's presentation with no affect on previously reported change in net assets.

Other reclassifications to prior period amounts resulted from a review of capitalized assets in which it was determined that amounts expended in the Home Investment Partnership Program in the year ended December 31, 2014 should have been capitalized as construction in progress rather than repairs and maintenance expense. This resulted in an understatement of capital assets of \$35,105 and an overstatement of repairs and maintenance expense of \$35,105. In addition, TEFAP commodities were not included in federal grant revenue or commodities used expense resulting in an increase of \$1,796,383 in federal grant revenue and commodities used expense. The net effect of these reclassifications resulted in the understatement of unrestricted net assets of \$35,105. The prior year net assets have been adjusted accordingly.

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION - NON-GAAP**  
**ALL PROGRAMS**  
**December 31, 2015**

	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>Assets</b>									
Current assets									
Cash	\$ 1,067,472	\$ 475,372	\$ 41,532	\$ 6,271	\$ 195,448	\$ -	\$ -	\$ (588,920)	\$ 1,197,175
Investments	-	-	-	-	-	640,035	-	-	640,035
Accounts receivable	224,920	84,238	117,144	-	48,186	494	-	-	474,982
Grants receivable	564,896	137,203	163,913	-	-	-	-	-	866,112
Inventories	9,759	181,742	-	-	-	-	-	-	191,501
Prepaid expenses	80,976	17,473	10,600	-	14,402	-	-	-	123,451
Security deposits	2,000	4,812	838	-	55	-	-	-	7,705
Property and equipment	-	-	-	-	-	-	5,039,155	-	5,039,155
Other assets	1,294	-	-	-	8,859	-	-	(94,451)	-
Due from other funds	1,951,417	985,138	334,027	6,271	266,950	640,529	5,039,155	(683,371)	8,540,116
<b>Total assets</b>	<b>\$ 1,951,417</b>	<b>\$ 985,138</b>	<b>\$ 334,027</b>	<b>\$ 6,271</b>	<b>\$ 266,950</b>	<b>\$ 640,529</b>	<b>\$ 5,039,155</b>	<b>\$ (683,371)</b>	<b>\$ 8,540,116</b>
<b>Liabilities</b>									
Current liabilities									
Temporary bank overdraft payable	\$ 356,165	\$ 47,306	\$ 185,449	\$ -	\$ -	\$ -	\$ -	\$ (588,920)	\$ -
Current portion of long term debt	-	-	-	-	-	-	95,011	-	95,011
Accounts payable	211,803	36,981	73,572	-	133,111	-	-	-	455,467
Accrued salaries	69,936	12,366	6,492	-	14,572	-	-	-	103,366
Accrued vacation	115,528	51,166	21,190	-	67,300	-	-	-	255,184
Grant refunds payable	10,366	89,139	6,559	-	-	-	-	-	106,064
Deferred revenue	-	3,784	-	-	-	-	-	-	3,784
Long term liabilities									
Long term debt	-	-	-	-	-	-	1,082,498	-	1,082,498
Due to other funds	-	84,298	40,153	-	-	-	-	(94,451)	-
<b>Total liabilities</b>	<b>763,798</b>	<b>325,040</b>	<b>303,415</b>	<b>6,271</b>	<b>214,983</b>	<b>640,529</b>	<b>1,177,509</b>	<b>(683,371)</b>	<b>2,101,374</b>
<b>Net assets</b>									
Unrestricted	1,186,528	536,137	30,612	6,271	51,967	640,529	3,861,646	-	6,313,690
Temporarily restricted	1,091	123,961	-	-	-	-	3,861,646	-	129,052
<b>Total net assets</b>	<b>1,187,619</b>	<b>660,098</b>	<b>30,612</b>	<b>6,271</b>	<b>51,967</b>	<b>640,529</b>	<b>3,861,646</b>	<b>-</b>	<b>6,438,742</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,951,417</b>	<b>\$ 985,138</b>	<b>\$ 334,027</b>	<b>\$ 6,271</b>	<b>\$ 266,950</b>	<b>\$ 640,529</b>	<b>\$ 5,039,155</b>	<b>\$ (683,371)</b>	<b>\$ 8,540,116</b>

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF REVENUE AND FUNCTIONAL EXPENDITURES - NON-GAAP**  
**ALL PROGRAMS**  
For the year ended December 31, 2015

	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>									
Contributions	\$ -	\$ 334,098	\$ 100	\$ 30	\$ 30	\$ -	\$ -	\$ -	\$ 334,258
Grant assistance	9,769,423	2,838,125	2,684,671	-	-	-	-	-	15,292,219
Federal and Federal pass-through	-	144,949	-	-	-	-	-	-	144,949
State	-	74,986	-	-	-	-	-	-	74,986
Local	-	208,192	-	-	-	-	-	-	211,832
Other	3,640	-	-	-	-	-	-	-	781,807
Other revenues	91,328	678,550	11,929	-	-	-	-	-	1,804,547
Program fees	1,062,500	234,315	307,832	-	-	-	-	-	62,926
Contract services	-	4,800	58,126	-	1,347,094	-	-	-	1,347,094
Rent	-	-	-	-	-	-	-	-	15,981
Indirect	471	89	-	-	-	15,421	-	-	10,635
Interest and dividends	-	-	-	-	-	10,635	-	-	(51,500)
Realized gains on investments	-	-	-	-	-	(51,500)	-	-	2,060,443
Unrealized (loss) gains on investments	1,664,126	497,156	-	-	-	-	-	(100,839)	173,261
Local match	159,998	664	12,524	-	75	-	333,508	(333,508)	-
Other	12,751,486	5,015,924	3,076,182	30	1,347,199	(25,444)	333,308	(434,147)	22,069,538
<b>Total support and revenues</b>									
<b>Expenditures</b>									
Salaries and wages	4,899,044	1,184,121	475,988	-	836,265	-	-	-	7,395,418
Employee taxes and benefits	1,837,913	323,971	134,112	-	211,611	-	-	-	2,505,607
Travel	100,044	29,105	14,957	-	4,823	-	-	-	148,929
Property and equipment	77,708	-	165,155	-	-	-	-	(242,861)	-
Mortgage payments	93,518	66,599	-	-	-	-	-	(90,447)	71,670
Supplies	352,798	36,552	42,755	-	29,746	-	-	-	461,851
Contractual	549,968	195,956	812,824	-	89,542	-	-	-	1,648,290
Communications	259,459	129,952	22,509	-	20,562	-	-	-	432,482
Leases	199,205	101,592	45,783	-	26,344	-	-	-	372,924
Rentals	8,251	16,309	9,231	-	4,463	-	-	-	32,248
Insurance	80,264	25,051	13,631	-	17,117	-	-	-	136,069
Repairs and maintenance	191,285	94,791	37,596	-	34,954	-	-	-	358,626
Food purchases and USDA commodities used	697,413	1,546,997	1,220,872	-	1,508	-	-	-	2,245,918
Client assistance	-	99,663	82,998	56	70,264	6,000	9,892	(100,839)	953,105
Other	512,169	271,726	-	-	-	-	-	-	2,060,443
Local match	1,664,126	497,156	-	-	-	-	333,658	-	333,658
Depreciation	-	-	-	-	-	-	-	-	-
Indirect	1,028,015	226,550	92,529	-	-	-	-	-	1,347,094
<b>Total expenditures</b>	12,551,180	4,848,085	3,167,938	56	1,347,199	6,000	343,530	(434,147)	21,824,841
<b>Change in net assets before adjustments to convert to expenses</b>	200,306	167,839	(87,756)	(26)	-	(31,444)	(10,222)	-	236,697
<b>Net assets</b>									
Beginning of year (as restated)	987,313	492,259	118,368	6,297	51,957	671,973	3,871,868	-	6,200,045
End of year	1,187,619	660,098	30,612	6,271	51,967	640,529	3,861,646	-	6,436,742

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF CASH FLOWS - NON-GAAP**  
**ALL PROGRAMS**  
For the year ended December 31, 2015

	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>Cash flows from operating activities</b>									
Increase (decrease) in net assets	\$ 200,306	\$ 167,839	\$ (87,756)	\$ (26)	\$ -	\$ (31,444)	\$ (10,222)	\$ -	\$ 238,697
Adjustments to reconcile to net assets provided									
Depreciation	-	-	-	-	-	-	333,638	-	333,638
Loss on disposal of fixed assets	-	-	-	-	-	-	9,892	-	9,892
Realized and unrealized (gain) loss on investments	-	-	-	-	-	40,865	-	-	40,865
(Increase) decrease in operating assets	(23,260)	60,946	(114,984)	-	17,728	(494)	-	-	(60,064)
Accounts receivable	(234,495)	102,142	(108,654)	-	-	-	-	-	(241,007)
Grants receivable	431	(104,234)	-	-	-	-	-	-	(103,803)
Inventory	106,765	48,702	1,202	-	106,675	-	-	-	233,344
Prepaid expenses	229	-	11,183	-	(2,109)	-	-	(9,303)	-
Due from other funds	-	-	-	-	-	-	-	-	-
Increase (decrease) in operating liabilities	10,027	(1,240)	50,129	-	97,268	-	-	-	156,184
Accounts payable	(32,801)	(12,003)	351	-	(4,881)	-	-	-	(49,334)
Accrued salaries	(9,974)	(11,317)	5,304	-	8,467	-	-	-	(7,520)
Accrued vacation	-	-	1	-	-	-	-	-	1
Grant refunds payable	-	3,784	-	-	-	-	-	-	3,784
Deferred revenue	-	(202)	2,082	-	-	-	-	9,303	-
Due to other funds	(11,183)	-	-	-	-	-	-	-	-
<b>Net cash provided (used) by operating activities</b>	6,045	224,417	(241,142)	(26)	223,148	8,927	333,308	-	554,677
<b>Cash flows from investing activities</b>									
Expended for property and equipment	-	-	-	-	-	-	(242,861)	-	(242,861)
Proceeds from sale of investments	-	-	-	-	-	505,429	-	-	505,429
Purchase of investments	-	-	-	-	-	(514,356)	-	-	(514,356)
<b>Net cash used by investing activities</b>	-	-	-	-	-	(8,927)	(242,861)	-	(251,788)
<b>Cash flows from financing activities</b>									
Repayment of notes payable	-	-	-	-	-	-	(90,447)	-	(90,447)
<b>Net cash used by financing activities</b>	-	-	-	-	-	-	(90,447)	-	(90,447)
<b>Net increase (decrease) in cash</b>	6,045	224,417	(241,142)	(26)	223,148	-	-	-	212,442
<b>Cash - beginning</b>	705,262	203,649	97,225	6,297	(27,700)	-	-	-	984,733
<b>Cash - ending</b>	\$ 711,307	\$ 428,066	\$ (143,917)	\$ 6,271	\$ 195,448	\$ -	\$ -	\$ -	\$ 1,197,175

**ACTION PATHWAYS, INC.**  
 COMBINING STATEMENT OF FINANCIAL POSITION - NON-GAAP  
 EARLY CHILDHOOD DEVELOPMENT PROGRAMS  
 December 31, 2015

	Head Start Program	Early Head Start Partnership	Child Nutrition Program	Race To The Top	State Child Development Program	Total
<b>Assets</b>						
Current assets						
Cash	\$ -	\$ -	\$ -	\$ 99,322	\$ 968,150	\$ 1,067,472
Accounts receivable	86,870	-	-	50,000	88,050	224,920
Grants receivable	349,375	158,643	56,978	-	-	564,996
Inventories	-	-	9,759	-	-	9,759
Prepaid expenses	72,508	1,851	960	-	5,657	80,976
Security deposits	2,000	-	-	-	-	2,000
Other assets						
Due from other funds	1,294	-	-	-	-	1,294
<b>Total assets</b>	<b>\$ 512,047</b>	<b>\$ 160,494</b>	<b>\$ 67,697</b>	<b>\$ 149,322</b>	<b>\$ 1,061,857</b>	<b>\$ 1,951,417</b>
<b>Liabilities</b>						
Current liabilities						
Temporary bank overdraft payable	\$ -	\$ 71,761	\$ 23,092	\$ -	\$ -	\$ 356,165
Accounts payable	82,200	80,331	41,650	11	7,611	211,803
Accrued salaries	62,446	2,699	1,340	-	3,451	69,936
Accrued vacation	104,998	5,703	1,615	-	3,212	115,528
Grant refunds payable	-	-	-	-	10,366	10,366
Long term liabilities						
Due to other funds	-	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 510,956</b>	<b>\$ 160,494</b>	<b>\$ 67,697</b>	<b>\$ 11</b>	<b>\$ 24,640</b>	<b>\$ 763,798</b>
<b>Net assets</b>						
Unrestricted	-	-	-	149,311	1,037,217	1,186,528
Temporarily restricted	1,091	-	-	-	-	1,091
<b>Total net assets</b>	<b>\$ 1,091</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 149,311</b>	<b>\$ 1,037,217</b>	<b>\$ 1,187,619</b>
<b>Total liabilities and net assets</b>	<b>\$ 512,047</b>	<b>\$ 160,494</b>	<b>\$ 67,697</b>	<b>\$ 149,322</b>	<b>\$ 1,061,857</b>	<b>\$ 1,951,417</b>

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF REVENUE AND FUNCTIONAL EXPENDITURES - NON-GAAP**  
**EARLY CHILDHOOD DEVELOPMENT PROGRAMS**  
For the year ended December 31, 2015

	Head Start Program	Early Head Start Partnership	Child Nutrition Program	Race To The Top	State Child Development Program	Total
<b>Support and revenues</b>						
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant assistance						
Federal and Federal pass-through	8,370,944	714,349	684,130	-	-	9,769,423
Other	-	-	-	-	3,640	3,640
Other revenues						
Program fees	-	-	91,328	-	-	91,328
Contract services	-	-	-	177,500	885,000	1,062,500
Interest	-	-	-	-	471	471
Local match	1,649,840	14,286	-	-	-	1,664,126
Other	158,320	-	-	-	1,678	159,998
<b>Total support and revenues</b>	<b>10,179,104</b>	<b>728,635</b>	<b>775,458</b>	<b>177,500</b>	<b>890,789</b>	<b>12,751,486</b>

	Head Start Program	Early Head Start Partnership	Child Nutrition Program	Race To The Top	State Child Development Program	Total
<b>Expenditures</b>						
Salaries and wages	4,321,281	114,736	65,934	50,758	346,335	4,899,044
Employee taxes and benefits	1,644,426	20,760	22,916	14,155	135,656	1,837,913
Travel	62,000	33,822	-	459	3,763	100,044
Property and equipment	11,708	66,000	-	-	-	77,708
Mortgage payments	93,518	-	-	-	-	93,518
Supplies	207,929	76,133	44,221	4,152	20,363	352,798
Contractual	200,213	338,304	7,426	418	3,607	549,968
Communications	246,847	2,872	2,384	913	6,443	259,459
Leases	188,327	1,500	324	4,031	5,023	199,205
Rentals	3,365	-	8	4	4,874	8,251
Insurance	73,931	1,490	1,331	-	3,512	80,264
Repairs and maintenance	167,281	3,445	2,047	13	18,499	191,285
Food purchases	66,273	-	605,668	195	25,277	697,413
Other	359,054	34,670	9,680	997	107,768	512,169
Local match	1,649,840	14,286	-	-	-	1,664,126
Interfund transfer	-	-	-	-	-	-
Indirect	883,111	20,617	13,519	9,877	100,891	1,028,015
<b>Total expenditures</b>	<b>10,179,104</b>	<b>728,635</b>	<b>775,458</b>	<b>85,972</b>	<b>782,011</b>	<b>12,551,180</b>

Change in net assets	-	-	-	91,528	108,778	200,306
Net assets						
Beginning of year	1,091	-	-	57,783	928,439	987,313
End of year	1,091	-	-	149,311	1,037,217	1,187,619

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF CASH FLOWS - NON-GAAP**  
**EARLY CHILDHOOD DEVELOPMENT PROGRAMS**  
For the year ended December 31, 2015

	Head Start Program	Early Head Start Partnership	Child Nutrition Program	Race To The Top	State Child Development Program	Total
<b>Cash flows from operating activities</b>						
Increase (decrease) in net assets	\$ -	\$ -	\$ -	\$ 91,528	\$ 108,778	\$ 200,306
(Increase) decrease in operating assets						
Accounts receivable	24,440	-	1,009	(49,847)	1,138	(23,260)
Grants receivable	(78,150)	(158,643)	2,298	-	-	(234,495)
Inventory	-	-	431	-	-	431
Prepaid expenses	95,726	(1,851)	2,674	947	9,269	106,765
Due from other funds	27	-	-	-	202	229
Increase (decrease) in operating liabilities						
Accounts payable	(42,170)	80,331	(30,882)	(168)	2,916	10,027
Accrued salaries	(30,817)	2,699	(1,748)	(1,306)	(1,629)	(32,801)
Accrued vacation	(8,963)	5,703	(446)	(4,511)	(1,757)	(9,974)
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	(11,183)	(11,183)
<b>Net cash provided (used) by operating activities</b>	<b>(39,907)</b>	<b>(71,761)</b>	<b>(26,664)</b>	<b>36,643</b>	<b>107,734</b>	<b>6,045</b>
<b>Cash - beginning</b>	<b>(221,405)</b>	<b>-</b>	<b>3,572</b>	<b>62,679</b>	<b>860,416</b>	<b>705,262</b>
<b>Cash - ending</b>	<b>(261,312)</b>	<b>(71,761)</b>	<b>(23,092)</b>	<b>\$ 99,322</b>	<b>\$ 968,150</b>	<b>\$ 711,307</b>



**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION - NON-GAAP**  
**COMMUNITY SERVICE PROGRAMS**  
December 31, 2015

	Community Services Block Grant 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	\$ 76,104	\$ 399,268	-	-	-	\$ 475,372
Accounts receivable	-	30,241	-	-	53,997	84,238
Grants receivable	-	75,782	692	-	60,729	137,203
Inventories	-	-	-	-	181,742	181,742
Prepaid expenses	4,244	7,253	-	-	5,976	17,473
Security deposits	4,812	-	-	-	-	4,812
Other assets						
Due from other funds	84,298	-	-	-	-	84,298
<b>Total assets</b>	<u>\$ 169,458</u>	<u>\$ 512,544</u>	<u>\$ 692</u>	<u>\$ -</u>	<u>\$ 302,444</u>	<u>\$ 985,138</u>
<b>Liabilities</b>						
Current liabilities						
Temporary bank overdraft payable	\$ -	\$ -	\$ 686	\$ -	\$ 46,620	\$ 47,306
Accounts payable	6,621	7,492	6	-	22,862	36,981
Accrued salaries	2,949	4,498	-	-	4,919	12,366
Accrued vacation	11,142	21,213	-	-	18,811	51,166
Grant refunds payable	80,373	-	-	-	8,766	89,139
Deferred revenue	-	3,784	-	-	-	3,784
Long term liabilities						
Due to other funds	-	45,328	-	-	38,970	84,298
<b>Total liabilities</b>	<u>101,085</u>	<u>82,315</u>	<u>692</u>	<u>-</u>	<u>140,948</u>	<u>325,040</u>
<b>Net assets</b>						
Unrestricted	-	430,229	-	-	105,908	536,137
Temporarily restricted	68,373	-	-	-	55,588	123,961
<b>Total net assets</b>	<u>68,373</u>	<u>430,229</u>	<u>-</u>	<u>-</u>	<u>161,496</u>	<u>660,098</u>
<b>Total liabilities and net assets</b>	<u>\$ 169,458</u>	<u>\$ 512,544</u>	<u>\$ 692</u>	<u>\$ -</u>	<u>\$ 302,444</u>	<u>\$ 985,138</u>

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF REVENUE AND FUNCTIONAL EXPENDITURES - NON-GAAP**  
**COMMUNITY SERVICE PROGRAMS**  
For the year ended December 31, 2015

	Community Services Block Grant 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						
Grant assistance						
Federal and Federal pass-through	840,816	198,684	140,193	-	334,098	334,098
State	-	113,505	-	-	1,658,432	2,838,125
Local	-	36,986	-	-	31,444	144,949
Other	-	75,959	-	-	38,000	74,986
Other revenues						
Program fees	-	125,452	-	-	553,098	678,550
Contract services	-	234,315	-	-	-	234,315
Rent	-	-	-	-	4,800	4,800
Interest	45	44	-	-	-	89
Local match	-	-	497,156	-	-	497,156
Other	-	-	-	-	164	664
<b>Total support and revenues</b>	<b>840,861</b>	<b>785,445</b>	<b>637,349</b>	<b>-</b>	<b>2,752,269</b>	<b>5,015,924</b>

<b>Expenditures</b>						
Salaries and wages	376,508	374,287	10,670	7,552	415,104	1,184,121
Employee taxes and benefits	104,901	102,801	2,944	1,689	111,636	323,971
Travel	20,722	3,393	-	-	4,990	29,105
Property and equipment	-	-	-	-	-	-
Mortgage payments	1,342	-	-	-	67,257	68,599
Supplies	9,501	13,068	29	-	13,954	36,552
Contractual	15,221	12,556	125,930	-	42,249	195,956
Communications	7,264	56,218	93	203	66,174	129,952
Leases	38,839	42,082	-	-	20,671	101,592
Rentals	691	13,871	-	-	1,741	16,303
Insurance	1,151	5,828	-	-	18,072	25,051
Repairs and maintenance	1,234	33,407	-	-	60,150	94,791
Client assistance	99,663	-	-	-	-	99,663
Food purchases and USDA commodities used	30,649	-	414	-	1,515,934	1,546,997
Other	36,311	65,007	113	-	170,295	271,726
Local match	-	-	497,156	-	-	497,156
Indirect	73,251	72,594	-	556	80,149	226,550
<b>Total expenditures</b>	<b>817,248</b>	<b>795,112</b>	<b>637,349</b>	<b>10,000</b>	<b>2,588,376</b>	<b>4,848,085</b>
Change in net assets	23,613	(9,667)	-	(10,000)	163,893	167,839

<b>Net assets</b>						
Beginning of year	44,760	439,896	-	10,000	(2,397)	492,259
End of year	68,373	430,229	-	-	161,496	660,098

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF CASH FLOWS - NON-GAAP**  
**COMMUNITY SERVICE PROGRAMS**  
For the year ended December 31, 2015

	Community Services Block Grant 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	\$ 23,613	\$ (9,667)	\$ -	\$ (10,000)	\$ 163,893	\$ 167,839
(Increase) decrease in operating assets						
Accounts receivable	1,404	7,621	-	-	51,921	60,946
Grants receivable	-	(23,869)	(692)	-	126,703	102,142
Inventory	-	-	-	-	(104,234)	(104,234)
Prepaid expenses	11,012	2,577	-	-	5,113	18,702
Increase (decrease) in operating liabilities						
Accounts payable	(1,476)	(5,207)	6	-	5,437	(1,240)
Accrued salaries	(6,951)	(2,493)	-	-	(2,559)	(12,003)
Accrued vacation	(8,664)	2,229	-	-	(4,882)	(11,317)
Grant refunds payable	-	-	-	-	-	-
Deferred revenue	-	3,784	-	-	-	3,784
Due to other funds	(202)	-	-	-	-	(202)
<b>Net cash provided (used) by operating activities</b>	<b>18,736</b>	<b>(25,025)</b>	<b>(686)</b>	<b>(10,000)</b>	<b>241,392</b>	<b>224,417</b>
<b>Cash - beginning</b>	<b>57,368</b>	<b>424,293</b>	<b>-</b>	<b>10,000</b>	<b>(288,012)</b>	<b>203,649</b>
<b>Cash - ending</b>	<b>\$ 76,104</b>	<b>\$ 399,268</b>	<b>\$ (686)</b>	<b>\$ -</b>	<b>\$ (46,620)</b>	<b>\$ 428,066</b>

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION - NON-GAAP**  
**LOW INCOME HOUSING PROGRAMS**  
December 31, 2015

	Weatherization Program	Weatherization Program Scotland Area	Duke Energy Helping Home Fund	Home Investment Partnership Program	Total
<b>Assets</b>					
Current assets					
Cash	\$ -	\$ -	\$ -	\$ 41,532	\$ 41,532
Accounts receivable	-	-	116,334	810	117,144
Grants receivable	163,913	-	-	-	163,913
Prepaid expenses	10,276	-	-	324	10,600
Security deposits	838	-	-	-	838
Other assets					
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b>\$ 175,027</b>	<b>\$ -</b>	<b>\$ 116,334</b>	<b>\$ 42,666</b>	<b>\$ 334,027</b>
<b>Liabilities</b>					
Current liabilities					
Temporary bank overdraft payable	\$ 89,054	\$ -	\$ 96,395	\$ -	\$ 185,449
Accounts payable	51,732	-	19,939	1,901	73,572
Accrued salaries	6,492	-	-	-	6,492
Accrued vacation	21,190	-	-	-	21,190
Grant refunds payable	6,559	-	-	-	6,559
Long term liabilities					
Due to other funds	-	-	-	10,153	10,153
<b>Total liabilities</b>	<b>175,027</b>	<b>-</b>	<b>116,334</b>	<b>12,054</b>	<b>303,415</b>
<b>Net assets</b>					
Unrestricted	-	-	-	30,612	30,612
Temporarily restricted	-	-	-	-	-
<b>Total net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,612</b>	<b>30,612</b>
<b>Total liabilities and net assets</b>	<b>\$ 175,027</b>	<b>\$ -</b>	<b>\$ 116,334</b>	<b>\$ 42,666</b>	<b>\$ 334,027</b>

**ACTION PATHWAYS, INC.**  
**COMBINING STATEMENT OF REVENUE AND FUNCTIONAL EXPENDITURES - NON-GAAP**  
**LOW INCOME HOUSING PROGRAMS**  
For the year ended December 31, 2015

	Weatherization Program	Weatherization Program Scotland Area	Duke Energy Helping Home Fund	Home Investment Partnership Program	Total
<b>Support and revenues</b>					
Contributions	\$ 100	\$ -	\$ -	\$ -	100
Grant assistance					
Federal and Federal pass-through	1,905,949	742,333	-	36,389	2,684,671
Other revenues					
Program fees	3,770	-	8,159	-	11,929
Contract services	-	-	307,832	-	307,832
Rent	-	-	-	58,126	58,126
Other	-	-	12,524	-	12,524
<b>Total support and revenues</b>	<b>1,909,819</b>	<b>742,333</b>	<b>328,515</b>	<b>94,515</b>	<b>3,075,182</b>

<b>Expenditures</b>					
Salaries and wages	325,521	149,612	855	-	475,988
Employee taxes and benefits	92,343	39,474	295	-	132,112
Travel	13,151	1,803	3	-	14,957
Property and equipment	-	13,634	-	151,519	165,153
Supplies	17,179	25,576	-	-	42,755
Contractual	474,163	195,793	140,223	2,645	812,824
Communications	17,268	5,189	52	-	22,509
Leases	36,814	8,969	-	-	45,783
Rentals	3,231	-	-	-	3,231
Insurance	10,108	2,223	-	1,300	13,631
Repairs and maintenance	11,287	7,568	-	18,741	37,596
Client assistance	782,648	251,384	186,840	-	1,220,872
Other	58,676	16,184	72	8,066	82,998
Indirect	67,430	24,924	175	-	92,529
<b>Total expenditures</b>	<b>1,909,819</b>	<b>742,333</b>	<b>328,515</b>	<b>182,271</b>	<b>3,162,938</b>

Change in net assets	-	-	-	(87,756)	(87,756)
Net assets					
Beginning of year	-	-	-	118,368	118,368
End of year	\$ -	\$ -	\$ -	\$ 30,612	\$ 30,612

**ACTION PATHWAYS, INC.**

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

For the year ended December 31, 2015

	Weatherization Program	Weatherization Program Scotland Area	Duke Energy Helping Home Fund	Home Investment Partnership Program	Total
<b>Cash flows from operating activities</b>					
Increase (decrease) in net assets	\$ -	\$ -	\$ -	\$ (87,756)	\$ (87,756)
(Increase) decrease in operating assets					
Accounts receivable	1,350	-	(116,334)	-	(114,984)
Grants receivable	(122,719)	14,065	-	-	(108,654)
Prepaid expenses	(412)	1,607	-	7	1,202
Due from other funds	11,183	-	-	-	11,183
Increase (decrease) in operating liabilities					
Accounts payable	37,696	(2,942)	19,939	(4,564)	50,129
Accrued salaries	2,027	(1,676)	-	-	351
Accrued vacation	9,911	(4,607)	-	-	5,304
Grant refunds payable	1	-	-	-	1
Due to other funds	-	-	-	2,082	2,082
<b>Net cash provided (used) by operating activities</b>	<b>(60,963)</b>	<b>6,447</b>	<b>(96,395)</b>	<b>(90,231)</b>	<b>(241,142)</b>
<b>Cash - beginning</b>	<b>(28,091)</b>	<b>(6,447)</b>	<b>-</b>	<b>131,763</b>	<b>97,225</b>
<b>Cash - ending</b>	<b>\$ (89,054)</b>	<b>\$ -</b>	<b>\$ (96,395)</b>	<b>\$ 41,532</b>	<b>\$ (143,917)</b>

**ACTION PATHWAYS, INC.**  
STATEMENT OF SUPPORT, REVENUE, EXPENDITURES , AND CHANGES IN NET ASSETS - NON-GAAP  
HEAD START PROGRAM GRANT NUMBER 04-CH2139/49  
For the year ended December 31, 2015

**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)	1,875,493
Training and technical assistance (PA-21)	46,286
<b>Total Head Start funds</b>	<u>8,370,944</u>

**Other revenue and public support**

USDA reimbursement grants	684,130
Grantees non federal share - budget amount	1,649,840
USDA adult lunch revenue	91,328
Child care reimbursement	210
Other	158,110
<b>Total other revenue and public support</b>	<u>2,583,618</u>

<b>Total revenue</b>	<u>10,954,562</u>
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**Expenditures**

**Government grants**

Head Start

Full year-part day (PA-22)

Direct costs

Salaries and wages	3,313,242
Fringe benefits	1,328,777
Expendable equipment and equipment rental	16,195
Supplies	124,163
Contractual and space costs	546,406
Other	525,861

Subtotal	<u>5,854,644</u>
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Indirect costs	687,249
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<b>Total</b>	<u>6,541,893</u>
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Training and technical assistance (PA-20)

Direct costs

Travel	65,593
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Early (PA-25)

Direct costs

Salaries and wages	1,008,040
Fringe benefits	315,649
Expendable equipment and equipment rental	11,105
Supplies	83,757
Contractual and space costs	108,618
Other	152,461

Subtotal	<u>1,679,630</u>
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Indirect costs	195,862
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<b>Total</b>	<u>1,875,492</u>
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Training and technical assistance (PA-21)

Direct costs

Travel	46,286
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<b>Total Head Start</b>	<u>8,529,264</u>
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**Other expenditures**

USDA reimbursement funds

Direct costs

Salaries and wages	65,934
Fringe benefits	22,916
Supplies	44,221
Contractual and space costs	16,364
Other	612,504

Subtotal 761,939

Indirect costs 13,519

Total USDA 775,458

Public support

Head Start full year part-day (PA-22)

In-kind contributions (see note below) 1,596,770

Head Start early (PA-25)

In-kind contributions (see note below) 53,070

Total public support 1,649,840

**Total expenditures** 10,954,562

**Change in net assets**

-

**Net assets - beginning of year**

1,091

**Net assets - end of year**

\$ 1,091

**Analysis of net assets**

Temporarily restricted

NC Transition Grant

\$ 1,091

Head Start administrative costs calculation

Administrative costs divided by grant revenue \$1,057,363 / \$10,020,748 = 10.6%

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 \$98,848 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 30458 and 32184  
 For the year ended December 31, 2015

	Grant period Ending June 30, 2015	Grant period Ending June 30, 2016	Total
<b>Public support, government grants and revenues</b>			
Local matching	\$ -	\$ -	\$ -
Direct (private donations)	-	-	-
Interest income	33	12	45
Government grants			
Federal pass through	526,543	314,273	840,816
<b>Total public support, government grants and revenues</b>	<u>526,576</u>	<u>314,285</u>	<u>840,861</u>
<b>Expenditures</b>			
Direct costs			
Salaries and wages	257,747	118,761	376,508
Fringe benefits	73,914	30,987	104,901
Communications	4,193	3,071	7,264
Space costs	40,638	32,332	72,970
Travel	8,500	12,222	20,722
Contractual	11,045	4,176	15,221
Supplies and materials	5,924	3,577	9,501
Client assistance	115,698	14,614	130,312
Equipment	-	-	-
Other	7,111	(513)	6,598
<b>Total direct costs</b>	<u>524,770</u>	<u>219,227</u>	<u>743,997</u>
Indirect costs	43,718	29,533	73,251
<b>Total expenditures</b>	<u>568,488</u>	<u>248,760</u>	<u>817,248</u>
<b>Change in net assets</b>	(41,912)	65,525	23,613
<b>Net assets</b>			
Beginning of year	44,760	-	44,760
End of year	<u>\$ 2,848</u>	<u>\$ 65,525</u>	<u>\$ 68,373</u>
<b>Analysis of net assets</b>			
CSBG programs	\$ -	\$ 65,525	\$ 65,525
Nongrant funds - temporarily restricted	2,848	-	2,848
	<u>\$ 2,848</u>	<u>\$ 65,525</u>	<u>\$ 68,373</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 30458**  
For the six months and year ended June 30, 2015

	Six months ended June 30, 2015	Six months ended December 31, 2014	Total	Budget	Variance Favorable (Unfavorable)
<b>Public support, government grants and revenues</b>					
Local matching	\$ -	\$ -	\$ -	\$ -	\$ -
Direct (private donations)	-	517	517	-	517
Interest income	33	27	60	-	60
Government grants					
Federal pass through	526,543	547,493	1,074,036	1,133,889	(59,853)
<b>Total public support, government grants and revenues</b>	<u>526,576</u>	<u>548,037</u>	<u>1,074,613</u>	<u>1,133,889</u>	<u>(59,276)</u>
<b>Expenditures</b>					
Direct costs					
Salaries and wages	257,747	255,894	513,641	500,661	12,980
Fringe benefits	73,914	60,238	134,152	143,413	(9,261)
Communications	4,193	5,862	10,055	9,840	215
Space costs	40,638	32,332	72,970	77,173	(4,203)
Travel	8,500	17,621	26,121	30,420	(4,299)
Contractual	11,045	3,465	14,510	11,968	2,542
Supplies and materials	5,924	6,767	12,691	20,184	(7,493)
Client assistance	115,698	49,031	164,729	198,104	(33,375)
Equipment	-	1,515	1,515	1,520	(5)
Other	7,111	20,075	27,186	38,842	(11,656)
Total direct costs	524,770	452,800	977,570	1,032,125	(54,555)
Indirect costs	43,718	53,325	97,043	101,764	(4,721)
<b>Total expenditures</b>	<u>568,488</u>	<u>506,125</u>	<u>1,074,613</u>	<u>1,133,889</u>	<u>(59,276)</u>
<b>Change in net assets</b>	(41,912)	41,912	-	\$ -	\$ -
<b>Net assets</b>					
Beginning of year	-	2,848	2,848		
End of year	<u>(41,912)</u>	<u>44,760</u>	<u>2,848</u>	\$ -	\$ 2,848
<b>Analysis of net assets</b>					
CSBG programs	\$ -	\$ -	\$ -	\$ -	\$ -
Nongrant funds - temporarily restricted	<u>-</u>	<u>2,848</u>	<u>2,848</u>	<u>2,848</u>	<u>2,848</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 32184

Grant period July 1, 2015 through June 30, 2016

As of December 31, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Public support, government grants and revenues</b>			
Local matching	\$ -	\$ -	\$ -
Direct (private donations)	-	-	-
Interest income	-	12	12
Government grants			
Federal pass through	<u>942,117</u>	<u>314,273</u>	<u>(627,844)</u>
<b>Total public support, government grants and revenues</b>	<u>942,117</u>	<u>314,285</u>	<u>(627,832)</u>
<b>Expenditures</b>			
Direct costs			
Salaries and wages	375,616	118,761	256,855
Fringe benefits	111,406	30,987	80,419
Communications	7,044	3,071	3,973
Space costs	70,864	32,332	38,532
Travel	28,308	12,222	16,086
Contractual	20,753	4,176	16,577
Supplies and materials	18,500	3,577	14,923
Client assistance	125,168	14,614	110,554
Equipment	80,234	-	80,234
Other	27,274	(513)	27,787
Total direct costs	<u>865,167</u>	<u>219,227</u>	<u>645,940</u>
Indirect costs	<u>76,950</u>	<u>29,533</u>	<u>47,417</u>
<b>Total expenditures</b>	<u>942,117</u>	<u>248,760</u>	<u>693,357</u>
<b>Change in net assets</b>	<u>\$ -</u>	65,525	65,525
<b>Net assets</b>			
July 1, 2015		<u>2,848</u>	<u>2,848</u>
December 31, 2015		<u>\$ 68,373</u>	<u>\$ 68,373</u>
<b>Analysis of net assets</b>			
CSBG programs		\$ 65,525	\$ 65,525
Nongrant funds - temporarily restricted		<u>2,848</u>	<u>2,848</u>
		<u>\$ 68,373</u>	<u>\$ 68,373</u>

**ACTION PATHWAYS, INC.**  
**STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL - NON-GAAP**  
**WEATHERIZATION, HARRP, AND LIHEAP PROGRAMS CONTRACT NUMBER 6046**  
 Grant period July 1, 2014 through June 30, 2015

	Six months ended December 31, 2014	Six months ended June 30, 2015	Total	Budget	Variance Favorable (Unfavorable)
<b>WEATHERIZATION</b>					
<b>Public support, government grants and revenues</b>					
Grant funds					
Total grant	\$ 25,566	\$ 219,532	\$ 245,098	\$ 245,098	\$ -
Reduction for unexpended grant funds	-	(90,904)	(90,904)	-	(90,904)
<b>Total public support, government grants and revenues</b>	<b>25,566</b>	<b>128,628</b>	<b>154,194</b>	<b>245,098</b>	<b>(90,904)</b>
<b>Expenditures</b>					
Administration	2,160	4,777	6,937	11,471	(4,534)
Training and technical assistance	12,164	9,364	21,528	31,153	(9,625)
Health and safety	3,090	23,818	26,908	35,130	(8,222)
Program operations	8,152	90,669	98,821	167,344	(68,523)
<b>Total expenditures</b>	<b>25,566</b>	<b>128,628</b>	<b>154,194</b>	<b>245,098</b>	<b>(90,904)</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	\$ 3	\$ 2,395	\$ 2,398	\$ -	\$ 2,398
Reduction for unexpended grant funds	148,122	253,772	401,894	401,894	-
<b>Total public support, government grants and revenues</b>	<b>-</b>	<b>(13,393)</b>	<b>(13,393)</b>	<b>-</b>	<b>(13,393)</b>
<b>Total public support, government grants and revenues</b>	<b>148,125</b>	<b>242,774</b>	<b>390,899</b>	<b>401,894</b>	<b>(10,995)</b>
<b>Expenditures</b>					
Administration	2,474	4,267	6,741	6,741	-
Program operations	145,651	238,507	384,158	395,153	(10,995)
<b>Total expenditures</b>	<b>148,125</b>	<b>242,774</b>	<b>390,899</b>	<b>401,894</b>	<b>(10,995)</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					
Donations					
Grant funds					
Total grant	\$ 550	\$ 550	\$ 1,100	\$ -	\$ 1,100
Reduction for unexpended grant funds	119	-	119	-	119
<b>Total public support, government grants and revenues</b>	<b>373,592</b>	<b>403,867</b>	<b>777,459</b>	<b>777,459</b>	<b>-</b>
<b>Total public support, government grants and revenues</b>	<b>374,261</b>	<b>373,373</b>	<b>747,634</b>	<b>777,459</b>	<b>(31,044)</b>
<b>Total public support, government grants and revenues</b>	<b>374,261</b>	<b>373,373</b>	<b>747,634</b>	<b>777,459</b>	<b>(29,825)</b>
<b>Expenditures</b>					
Administration	13,906	16,889	30,795	34,796	(4,001)
Health and safety	58,313	69,556	127,869	128,880	(1,011)
Program operations	302,042	286,928	588,970	613,783	(24,813)
<b>Total expenditures</b>	<b>374,261</b>	<b>373,373</b>	<b>747,634</b>	<b>777,459</b>	<b>(29,825)</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**ACTION PATHWAYS, INC.**  
**STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL - NON-GAAP**  
**WEATHERIZATION, HARRP, AND LIHEAP PROGRAMS CONTRACT NUMBER 6246**  
**Grant period July 1, 2014 through June 30, 2015**

	Six months ended December 31, 2014	Six months ended June 30, 2015	Total	Budget	Variance Favorable (Unfavorable)
<b>WEATHERIZATION</b>					
<b>Public support, government grants and revenues</b>					
Grant funds					
Total grant	\$ 1,242	\$ 120,498	\$ 121,740	\$ 121,740	\$ -
Reduction for unexpended grant funds	-	(15,975)	(15,975)	-	(15,975)
<b>Total public support, government grants and revenues</b>	<b>1,242</b>	<b>104,523</b>	<b>105,765</b>	<b>121,740</b>	<b>(15,975)</b>
<b>Expenditures</b>					
Administration	90	5,205	5,295	7,116	(1,821)
Training and technical assistance	-	5,000	5,000	5,000	-
Health and safety	-	15,590	15,590	17,503	(1,913)
Program operations	1,152	78,728	79,880	92,121	(12,241)
<b>Total expenditures</b>	<b>1,242</b>	<b>104,523</b>	<b>105,765</b>	<b>121,740</b>	<b>(15,975)</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	1,626	217,810	219,436	219,436	-
Reduction for unexpended grant funds	-	(4,114)	(4,114)	-	(4,114)
<b>Total public support, government grants and revenues</b>	<b>1,626</b>	<b>213,696</b>	<b>215,322</b>	<b>219,436</b>	<b>(4,114)</b>
<b>Expenditures</b>					
Administration	98	2,132	2,230	3,871	(1,641)
Program operations	1,528	211,564	213,092	215,565	(2,473)
<b>Total expenditures</b>	<b>1,626</b>	<b>213,696</b>	<b>215,322</b>	<b>219,436</b>	<b>(4,114)</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					
Grant funds					
Total grant	17,574	464,507	482,081	482,081	-
Reduction for unexpended grant funds	-	(40,392)	(40,392)	-	(40,392)
<b>Total public support, government grants and revenues</b>	<b>17,574</b>	<b>424,115</b>	<b>441,689</b>	<b>482,081</b>	<b>(40,392)</b>
<b>Expenditures</b>					
Administration	799	17,587	18,386	20,264	(1,878)
Health and safety	656	64,578	65,234	73,226	(7,992)
Program operations	16,119	341,950	358,069	388,591	(30,522)
<b>Total expenditures</b>	<b>17,574</b>	<b>424,115</b>	<b>441,689</b>	<b>482,081</b>	<b>(40,392)</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**ACTION PATHWAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION - NON-GAAP**  
**SECOND HARVEST FOOD BANK OF SOUTHEAST NC**  
**UNAUDITED**  
**December 31, 2015**

**Assets**

Current assets

Accounts receivable	\$ 53,997
Grants receivable	60,729
Inventories	780,895
Prepaid expenses	5,976
<b>Total assets</b>	<u><u>\$ 901,597</u></u>

**Liabilities**

Current liabilities

Temporary bank overdraft payable	\$ 46,620
Accounts payable	22,862
Accrued salaries	4,919
Accrued vacation	18,811
Grant refunds payable	8,766

Long term liabilities

Due to other funds	38,970
<b>Total liabilities</b>	<u><u>140,948</u></u>

**Net assets**

Unrestricted	705,061
Temporarily restricted	55,588
<b>Total net assets</b>	<u><u>760,649</u></u>

<b>Total liabilities and net assets</b>	<u><u>\$ 901,597</u></u>
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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, 2015

<b>Support and revenues</b>	
Grant assistance	
Federal and Federal pass-through	\$ 1,658,432
State	31,444
Local	38,000
Other	132,233
Total grants	<u>1,860,109</u>
Donations	
Cash	334,098
Food	13,747,186
Total donations	<u>14,081,284</u>
Fees	
Shared maintenance	539,471
Dues	13,627
Total fees	<u>553,098</u>
Other	<u>4,964</u>
<b>Total support and revenues</b>	<u><u>16,499,455</u></u>
<b>Expenditures</b>	
Administration	
Personnel	69,606
Payroll taxes	7,204
Fringe benefits	9,919
Supplies	1,615
Contractual and space	3,145
Other	21,226
Indirect	80,149
Total administration	<u>192,864</u>
Operating	
Personnel	303,987
Payroll taxes	31,192
Fringe benefits	52,158
Travel	4,990
Supplies	11,698
Contractual and space	95,411
Food purchases and USDA commodities used	1,515,934
Donated food distributed	13,375,053
Spoilage	1,218,443
Other	287,932
Total operating	<u>16,896,798</u>
Fundraising	
Personnel	41,510
Payroll taxes	4,266
Fringe benefits	6,897
Supplies	1,479
Contractual and space	10,951
Other	27,106
Total fundraising	<u>92,209</u>
<b>Total expenditures</b>	<u><u>17,181,871</u></u>
<b>Adjustment to net assets</b>	<u><u>\$ (682,416)</u></u>

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

**HAIGH, BYRD & LAMBERT, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
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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, 2015, 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 August 11, 2016.

**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.

*Shaigh, Byrd & Lambert, LLP*

Certified Public Accountants  
Fayetteville, North Carolina  
August 11, 2016

**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 THE UNIFORM GUIDANCE**

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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit 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). 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 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, 2015.

## 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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Haigh, Byrd & Lambert, LLP*

Certified Public Accountants  
Fayetteville, North Carolina  
August 11, 2016

**ACTION PATHWAYS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended December 31, 2015

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
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (USDA Foods)
81.042	Weatherization Assistance Program for Low-Income Persons
93.568	Low-Income Home Energy Assistance Program - Heating and Air Repair and Replacement Program
93.600	Head Start

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.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the year ended December 31, 2015

<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>
<b>U.S. Department of Health and Human Services</b>			
Head Start (Note 2)	93.600	\$ 8,370,944	\$ 1,649,840
Early Head Start Child Care Partnership (Note 2)	93.660	714,349	14,286
Passed through N.C. Department of Health and Human Services			
Community Services Block Grant	93.569	817,203	-
Social Services Block Grant			
Administration for Children and Families	93.667	331,926	-
Low-income Home Energy Assistance Program - Heating and Air Repair and Replacement Program	93.568	569,497	2,395
Low-income Home Energy Assistance Program - Heating and Air Repair and Replacement Program - Scotland Area	93.568	213,696	-
Low-income Home Energy Assistance Program - Weatherization	93.568	1,110,908	1,475
Low-income Home Energy Assistance Program - Weatherization - Scotland Area	93.568	424,114	-
Total Department of Health and Human Services		<u>12,552,637</u>	<u>1,667,996</u>
<b>U.S. Department of Agriculture</b>			
Passed through N.C. Department of Health and Human Services			
Child and Adult Care Food Program	10.558	684,130	-
Emergency Food Assistance Cluster			
Passed through N.C. Department of Agriculture			
Emergency Food Assistance Program (Administrative costs)	10.568	60,960	-
Emergency Food Assistance Program (Food commodities)	10.569	1,265,546	-
Total Emergency Food Assistance Cluster		<u>1,326,506</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>2,010,636</u>	<u>-</u>
<b>U.S. Department of Energy</b>			
Passed through N.C. Department of Commerce			
Weatherization Assistance Program for Low-income Persons	81.042	225,544	-
Weatherization Assistance Program for Low-income Persons - Scotland Area	81.042	104,523	-
Total U.S. Department of Energy		<u>330,067</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development</b>			
Housing Counseling Assistance Program	14.169	39,795	-
Passed through City of Fayetteville			
Fair Housing Assistance Program	14.401	968	-
HOME Investment Partnership Program	14.239	36,389	-
CDBG Entitlement Grants Cluster			
Passed through City of Goldsboro			
Community Development Block Grant/Entitlement Grants	14.218	3,800	-
Passed through City of Fayetteville			
Community Development Block Grant/Entitlement Grants	14.218	8,501	-
Total U.S. Department of Housing and Urban Development		<u>89,453</u>	<u>-</u>
<b>U.S. Department of Treasury</b>			
Internal Revenue Service - VITA Matching Grant (Note 2)	21.009	140,193	497,156
<b>Neighborhood Works America</b>			
Passed through N.C. Housing Finance Agency			
Foreclosure Counseling Mitigation Program	21.000	145,620	-
Total Expenditures of Federal Awards		<u>15,268,606</u>	<u>2,165,152</u>
<b>State of N.C. grant programs</b>			
Nutrition Assistance & Food Distribution for At-Risk Families		31,444	-
2012 National Mortgage Settlement		113,505	-
Total Expenditures of State Awards		<u>144,949</u>	<u>-</u>
Total Expenditures of Federal and State Awards		<u>\$ 15,413,555</u>	<u>\$ 2,165,152</u>

**ACTION PATHWAYS, INC.**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the year ended December 31, 2015

**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. under programs of the federal and state government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Action Pathways, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Action Pathways, Inc.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

In-kind, program income, and other local expenditures include in-kind contributions of \$2,157,800. Donated services not meeting the provisions of accounting principles generally accepted in the United States of America (those not requiring specific expertise), valued at \$98,848 for the year ended December 31, 2015 have been eliminated for financial statement purposes for the Head Start grant.

**Note 3** *Food Commodities*

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received. At December 31, 2015 the Organization had food commodities totaling \$91,110 in inventory.

**ACTION PATHWAYS, INC.**  
RESOLUTION OF MATTERS RELATING TO THE PRIOR YEAR AUDIT  
December 31, 2015

There were no findings or questioned costs for fiscal year ended December 31, 2014 relative to Federal Award Programs.