



Brunswick Senior Resources, Inc.

Making a Difference

BRUNSWICK SENIOR RESOURCES, INC.

Audited Financial Statements

for the fiscal year ended

June 30, 2016

(with comparative totals for 2015)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brunswick Senior Resources, Inc.
Shallotte, North Carolina

We have audited the accompanying financial statements of Brunswick Senior Resources, Inc. (BSRI), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 BSRI as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Summarized Comparative Information

We have previously audited BSRI's 2015 financial statements and our report dated November 20, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis 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* (Uniform Guidance), and is 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 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 Schedule of Expenditures of Federal and State Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, on our consideration of BSRI'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 BSRI's internal control over financial reporting and compliance.

Bearman CPA P.C.

Wilmington, North Carolina

November 18, 2016

Brunswick Senior Resources, Inc.
Statement of Financial Position
as of June 30, 2016
(with comparative totals for 2015)

	6/30/16	6/30/15
Assets		
Cash and Cash Equivalents (Notes 3c and 4)	\$ 474,655	\$ 494,044
Grants and Other Receivables (Note 5)	180,011	202,812
Prepaid Expenses & Other Assets	14,166	2,569
Property & Equipment, net (Note 7)	939,863	780,723
Total Assets	1,608,695	1,480,148
 Liabilities & Net Assets		
Accounts Payable & Accrued Liabilities (Note 8)	218,387	210,837
Total Liabilities	218,387	210,837
Net Assets		
Unrestricted (Note 3b)	1,297,055	1,225,042
Temporarily Restricted (Note 3b)	93,253	44,269
Permanently Restricted (Note 3b)	-	-
Total Net Assets	1,390,308	1,269,311
Total Liabilities & Net Assets	\$ 1,608,695	\$ 1,480,148

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

Brunswick Senior Resources, Inc.
Statement of Activities
for the year ended June 30, 2016
(with comparative totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total FY 2015/16</u>	<u>Total FY 2014/15</u>
Revenue				
Brunswick County Grants (Note 5)	\$ 1,594,208	\$ -	\$ 1,594,208	\$ 1,565,000
Home & Community Care Block Grant (Note 5)	1,019,405	-	1,019,405	1,001,345
Donated Facilities & Services (Notes 3d & 9)	428,650	-	428,650	375,324
North Carolina Grants & Contracts (Note 5)	38,398	-	38,398	33,786
Other Contributions (Note 5)	22,904	109,462	132,366	106,468
Thrift Store, net (Note 12)	24,336	-	24,336	-
Program & Other Income	105,077	-	105,077	63,207
Net Assets Released from Restriction (Note 3b)	60,478	(60,478)	-	-
Total Revenue	<u>3,293,456</u>	<u>48,984</u>	<u>3,342,440</u>	<u>3,145,130</u>
Expense				
Program (Note 3e)				
Nutrition	997,708		997,708	935,404
Senior Center Operations	1,021,606		1,021,606	918,842
Case Management	516,556		516,556	483,305
Transportation	107,283		107,283	91,322
Program Total	2,643,153	-	2,643,153	2,428,873
Management & General (Note 3e)	466,451		466,451	535,540
Fundraising (Note 3e)	111,839		111,839	96,824
Total Expense	<u>3,221,443</u>	<u>-</u>	<u>3,221,443</u>	<u>3,061,237</u>
Change in Net Assets	<u>72,013</u>	<u>48,984</u>	<u>120,997</u>	<u>83,893</u>
Net Assets Beginning of Year	1,225,042	44,269	1,269,311	1,185,418
Net Assets End of Year	<u>\$ 1,297,055</u>	<u>\$ 93,253</u>	<u>\$ 1,390,308</u>	<u>\$ 1,269,311</u>

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

Brunswick Senior Resources, Inc.
Statement of Functional Expenses
for the year ended June 30, 2016
(with comparative totals for 2015)

Functional Expense Summary

Expense Type	Program	Management & General	Fundraising	Total FY 2015/16	Total FY 2014/15
Wages, Taxes & Benefits	\$ 1,100,280	\$ 229,283	\$ 104,226	\$ 1,433,789	\$ 1,373,807
Professional Services	266,528	73,414	-	339,942	347,628
Homebound Meals	183,365	-	-	183,365	194,289
Congregate Meals	135,983	-	-	135,983	129,662
General Transportation	102,625	-	-	102,625	78,613
Medical Transportation	7,441	-	-	7,441	12,709
Facilities	557,538	86,389	-	643,927	591,904
Vehicles & Equipment	74,954	11,321	95	86,370	81,953
General Operations	153,583	57,122	7,518	218,223	179,400
Depreciation	60,856	8,922	-	69,778	71,272
Total Expense	\$ 2,643,153	\$ 466,451	\$ 111,839	\$ 3,221,443	\$ 3,061,237

Program Expense Summary

Expense Type	Nutrition	Senior Center Operations	Case Management	Transportation	Program Total
Wages, Taxes & Benefits	\$ 490,395	\$ 382,767	\$ 227,118	\$ -	\$ 1,100,280
Professional Services	12,730	51,668	202,130	-	266,528
Homebound Meals	183,365	-	-	-	183,365
Congregate Meals	135,983	-	-	-	135,983
General Transportation	2,667	116	-	99,842	102,625
Medical Transportation	-	-	-	7,441	7,441
Facilities	91,515	456,904	9,119	-	557,538
Vehicles & Equipment	22,917	42,880	9,157	-	74,954
General Operations	31,448	63,866	58,269	-	153,583
Depreciation	26,688	23,405	10,763	-	60,856
Total Expense	\$ 997,708	\$ 1,021,606	\$ 516,556	\$ 107,283	\$ 2,643,153

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

Brunswick Senior Resources, Inc.

Statement of Cash Flows

as of June 30, 2016

(with comparative totals for 2015)

	<u>FY 2015/16</u>	<u>FY 2014/15</u>
Cash Flows from Operating Activity		
Change in Net Assets	\$ 120,997	\$ 83,893
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Changes in certain assets and liabilities:		
Grants & Contracts Receivable	22,801	(94,277)
Prepaid Expenses	(11,597)	2,958
Accounts Payable & Accrued Expenses	7,550	64,008
Depreciation	<u>71,885</u>	<u>71,272</u>
Net Cash Provided by Operating Activities	<u>211,636</u>	<u>127,854</u>
Cash Flows from Investing Activities		
Property & Equipment Additions	<u>(231,025)</u>	<u>(96,990)</u>
Net Cash Used in Investing Activities	<u>(231,025)</u>	<u>(96,990)</u>
Cash Flows from Financing Activities		
None	<u>-</u>	<u>-</u>
Net Cash Used in Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(19,389)	30,864
Cash and cash equivalents, beginning of year	<u>494,044</u>	<u>463,180</u>
Cash and cash equivalents, end of year	<u>\$ 474,655</u>	<u>\$ 494,044</u>

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

Brunswick Senior Resources, Inc.
Notes to the Financial Statements
June 30, 2016

1. Organization

Brunswick Senior Resources, Inc. (BSRI) is a North Carolina nonprofit organization incorporated in February 2002. The organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3). As such, contributions to the organization are tax deductible.

2. Mission

BSRI exists to promote the well-being and enhance the quality of life for all senior adults, 60 years of age and older, in Brunswick County, North Carolina. It advocates for programs and delivers services encouraging and sustaining independence and continued participation in the community. Brunswick County has designated BSRI as its lead agency for senior services. Current operations are diverse and fall under the broad categories of congregate nutritional services, home-bound meals on wheels, senior center and senior site operations, case management, in-home aide services and general transportation. BSRI operates multi-purpose senior centers in Leland, Shallotte and Southport as well as six nutrition sites situated across the county. BSRI also operates a thrift store in Calabash. The organization's administrative offices are located in Shallotte.

3. Summary of Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. As such, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

3a. Use of Estimates

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

3b. Net Asset Classes

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, "Not-for-Profit Entities," requires the reporting of an organization's activities by net asset class. The financial statements report net assets and changes in net assets in three classes that are based upon the existence of restrictions on use that are placed by its donors, as follows:

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Brunswick Senior Resources, Inc.
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June 30, 2016

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets (*also see Note 11, Restrictions on Net Assets*).

Permanently restricted net assets result from contributions to the organization that must be maintained permanently. Typically, the future investment returns on such assets may be used in full or in part for the operations of the organization. *As of June 30, 2016, BSRI held no permanently restricted net assets.*

3c. Cash and Cash Equivalents

The organization considers short-term, interest bearing, highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of financial statement presentation.

3d. Contributions, Grant and Contracts

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless the use of the contributed assets is specifically restricted by the donor (*see Note 3b, previously*). *Also see Note 11, Restrictions on Net Assets.*

Contributed services are only recorded if they meet the requirements for recognition (such as if they require specialized skills). These requirements are outlined in FASB ASC 958-605-25-16, "Contributed Services." *Also see, Note 9, Donated Facilities.*

3e. Expense Allocations

The Statement of Activities presents expenses by functional classification (program, management and general, and fundraising). Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using

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Brunswick Senior Resources, Inc.
Notes to the Financial Statements
June 30, 2016

an objective basis (such as staff members' time). The Statement of Functional Expenses presents these same expenses by natural classification (e.g. wages, contracted services).

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

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

3f. Property & Equipment

BSRI capitalizes property and equipment costing more than \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor specifically restricts the asset's use. Also see *Note 7, Property & Equipment*.

3g. Prior Year Information

The financial statements display prior-year, summarized information for comparative purposes. The prior year information is presented in total but not by net asset class (unrestricted, temporarily restricted, and permanently restricted). 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 then ended, from which the summarized information is derived. Certain reclassifications of prior year amounts were made to conform to the current year presentation.

4. Cash Balances

At various times during the fiscal year, the organization's cash balance in financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per depositor. These financial institutions have strong credit ratings and management believes that the credit risks related to these deposits are minimal.

5. Grants & Contracts

BSRI receives its revenue from a variety of grants and contracts with governmental and private agencies and also from contributions by individuals, businesses, foundations and civic organizations. It has three primary sources of revenue:

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Brunswick Senior Resources, Inc.
Notes to the Financial Statements
June 30, 2016

- Local government funding approved annually by the Brunswick County Board of Commissioners (\$1,594,208). This funding is to be used to fulfill BSRI’s responsibilities as the lead agency for senior services in Brunswick County.
- Home and Community Care Block Grant (HCCBG) funding (\$1,019,405) allocated to the County by the Cape Fear Area Agency on Aging and passed on to BSRI as a designated community service provider charged with implementing the county’s aging services priorities. The funding is a mixture of federal and state funds administered by the North Carolina Division of Aging and Adult Services.
- Donated facilities (valued at \$428,650, see *Note 9*) provided primarily by Brunswick County for BSRI’s use in carrying out its mission.

Grants and Other Receivables

The grants and contracts receivable balance of \$180,011 primarily consists of expenses incurred before June 30 for which the organization had yet to receive reimbursement from the Home and Community Care Block Grant (\$166,310) and a North Carolina sales tax refund request (\$13,355). All amounts were fully collected in the first quarter of the new fiscal year. Accordingly, no provision is made for uncollectible amounts.

6. Concentration of Funding

As outlined in Note 5, BSRI recorded \$1,594,208 of direct grant funding from Brunswick County along with \$1,019,405 of Block Grant funding passed through the County and \$428,650 of in-kind revenue from the use of primarily County facilities. Taken together, these direct and pass-through funding sources total \$3,042,263 or 91% of the organization’s total revenue. If a significant reduction in funding from Brunswick County were ever to occur, it would have an adverse impact on BSRI’s programs and activities. Also see *Note 14, Related Parties*.

7. Property and Equipment

The property and equipment balance of \$939,863 is stated at cost and consists of the following:

Building Improvements	\$ 818,172
Vehicles	276,595
Furniture & Equipment	<u>224,733</u>
	1,319,500
Less accumulated depreciation	<u>(379,637)</u>
Property & Equipment, Net	<u>\$ 939,863</u>

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Brunswick Senior Resources, Inc.
Notes to the Financial Statements
June 30, 2016

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (up to 40 years for building improvements, 5 - 10 years for vehicles and equipment).

Depreciation expense totaled \$71,885 for FY 2015/16. Of this total \$69,778 appears as a line item on the Statement of Functional Expenses, the remaining \$2,107 is related to depreciation of the Thrift Store and is included on the Statement of Activities in the line item "Thrift Store, net".

8. Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance consists of the following:

Operational Accounts Payable	\$ 104,349
Payroll & Related Payables	<u>114,038</u>
Total	<u>\$ 218,387</u>

9. Donated Facilities

As outlined in Note 5, the organization performs many of its program and administrative activities at facilities owned primarily by Brunswick County as well as other entities. BSRI is not charged rent for occupying approximately 46,500 combined square feet of space at nine locations across the County. Memorandums of understanding govern the use and operation of the Brunswick County facilities. Generally, BSRI may use the facilities indefinitely and is responsible for the operating costs and routine maintenance of the properties. Improvements and structural alterations are allowed with express permission of the County.

In order to determine a value for these in-kind donations, BSRI uses local market data to estimate facility rental rates. A total estimated value of \$428,650 appears as the revenue line item "Donated Facilities and Services" on the Statement of Activities and is offset by an equal amount of expense within the "Facilities" line item on the Statement of Functional Expenses.

10. Retirement Plan

BSRI provides a retirement plan for its employees. It contributes an amount equal to 5% of each qualified employee's wages to the plan each year. BSRI is the plan administrator and the plan is categorized by IRS Code Section 403(b). Generally, all employees are eligible to receive this benefit after 1,000 hours of service to the organization. Retirement contribution expense for the fiscal year totaled \$50,612 and is included in the "Wages, Taxes and Benefits" line item on the Statement of Functional Expenses.

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Brunswick Senior Resources, Inc.
Notes to the Financial Statements
June 30, 2016

11. Restrictions on Net Assets

The restrictions on BSRI's net assets at the end of the fiscal year are temporary and relate to grant funds received but not fully expended for their intended purposes prior to year-end. BSRI receives most of its grant funding on a reimbursement basis and those funds are displayed as unrestricted on the Statement of Activities as all restrictions are met prior to their receipt.

During the fiscal year, the organization received \$109,462 of other grants and contributions with restrictions more specific than for the general mission of the organization. These funds were initially recorded as temporarily restricted. In FY 2015/16, funds totaling \$60,478 were spent for their intended purposes and therefore appear on the Statement of Activities as the revenue line item "Net Assets Released from Restriction."

12. Thrift Store Donations

BSRI receives support in the form of in-kind donations of personal and household items. It operates a thrift store in Calabash, North Carolina in order to liquidate these items. These contributions are valued at the amount of cash received for the items less all costs associated with their sale. The in-kind contributions are recorded as revenue once their fair market values can be determined (i.e. when the items are sold). Accordingly, no inventory of these items is recorded at year-end. During FY 15/16, the thrift store had gross sales of \$257,489 and expenses related to the operation of the store of \$233,153. The net amount of \$24,336 appears on the Statement of Activities as the revenue line item "Thrift Store, net."

13. Income Taxes

The organization is exempt from federal income taxation under Section 501(c) (3) of the Internal Revenue Code. Additionally, it does not generate business income unrelated to its exempt purpose and therefore has made no provision for income taxes or uncertain tax positions in the financial statements. There are no federal or state tax audits of the organization in progress and BSRI believes it is not subject to tax examinations for fiscal years prior to FY 2012/13.

14. Related Parties

As described in Note 6, BSRI receives the majority of its revenue either directly from or passed through Brunswick County. Additionally, its bylaws specify that the Brunswick County Commissioners are to appoint five of its 15-member board of directors. BSRI's executive director is named as the grant administrator for the County in the Agreement for the Provision of County-Based Aging Services between the County of Brunswick and the Cape Fear Area Agency on Aging funded by Home and Community Care Block Grant funds (see Note 5).

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Brunswick Senior Resources, Inc.
Notes to the Financial Statements
June 30, 2016

BSRI contracts transportation services for its clients through a local nonprofit agency, Brunswick Transit System, Inc. (BTS). BSRI's executive director is an unpaid officer of the board of directors of BTS. During the fiscal year ended June 30, 2016, BSRI paid BTS \$105,441 for transportation services. BSRI also received a \$37,329 payment from BTS in its role as an administrator of the Rural Operating Assistance Program, a state-funded public transportation program.

15. Subsequent Events

BSRI has evaluated events that have occurred subsequent to the statement of financial position date (June 30, 2016) and through the date that the Independent Auditor's Report was available to be issued (November 18, 2016). No events have occurred during that period that would require adjustments to the audited financial statements or disclosure in these notes.

See Independent Auditor's Report



**INDEPENDENT AUDITOR'S 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
Brunswick Senior Resources, Inc.
Shallotte, 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 Brunswick Senior Resources, Inc. (BSRI), a nonprofit organization, which comprise the statement of financial position as June 30, 2016, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered BSRI'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 BSRI's internal control. Accordingly, we do not express an opinion on the effectiveness of BSRI's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet is 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 BSRI'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.

Bearman CPA PC

Wilmington, North Carolina
November 18, 2016



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM
AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND THE
STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Directors
Brunswick Senior Resources, Inc.
Shallotte, North Carolina

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM

We have audited Brunswick Senior Resources, Inc.'s (BSRI) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of BSRI's major state programs for the year ended June 30, 2016. BSRI's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

BSRI's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of BSRI's major state 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 applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about BSRI'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 state program. However, our audit does not provide a legal determination of BSRI's compliance.

Opinion on Each Major State Program

In our opinion, BSRI 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 state programs for the year ended June 30, 2016.



REPORT ON INTERNAL CONTROL OVER COMPLIANCE

BSRI's management 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 BSRI's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state 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 BSRI'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 state 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 state 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 state 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 requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bearman CPA PC

Wilmington, North Carolina
November 18, 2016

BRUNSWICK SENIOR RESOURCES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of Brunswick Senior Resources, Inc. (BSRI).
2. No deficiencies in internal control over financial reporting considered material weaknesses were identified during the audit of the financial statements and no significant deficiencies were reported.
3. No instances of noncompliance material to the financial statements of BSRI were noted.

State Awards

1. No material weaknesses in internal control over major state award programs were identified during the audit and no significant deficiencies were reported.
2. The auditor's report on compliance for the major state award programs expresses an unmodified opinion.
3. There were no audit findings that are required to be reported in accordance with Section 511(a) of the Uniform Guidance (2 CFR 200.511(a), "Audit Findings") as adopted by the State Single Audit Implementation Act.
4. The state program "Social Services Block Grant" met the definition of "major state program" for testing purposes (Catalog of Federal Domestic Assistance (CFDA) number 93.667).
5. The threshold for distinguishing Types A and B programs was \$750,000.
6. BSRI qualified to be considered as a low-risk auditee.

Brunswick Senior Resources, Inc.
Schedule of Expenditures of Federal and State Awards
for the fiscal year ended June 30, 2016

Federal Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
U.S. Department of Health and Human Services			
Administration of Aging			
Passed through the N.C. Department of Health and Human Services			
Division of Aging and Adult Services			
Passed through the Cape Fear Council of Governments			
<u>Aging Cluster</u>			
Special Programs for the Aging - Title III			
Part B - Grants for Supportive Services & Senior Centers	93.044	\$ 75,554	\$ 4,444
Part C - Nutrition Services	93.045	374,730	22,043
Nutrition Services Incentive Program (NSIP)	93.053	68,095	
Total Aging Cluster		518,379	26,487
Special Programs for the Aging - Title III			
Part D - Disease Prevention & Health Promotion Services	93.043	11,233	661
National Family Caregiver Support, Title III, Part E	93.052	21,562	1,437
Social Services Block Grant	93.667	-	427,362
Total Federal Expenditures		\$ 551,174	
North Carolina State Grantor/ Program Title	State Ref.		
Department of Health and Human Services			
Office of Rural Health and Community Care			
Passed through the Cape Fear Council of Governments			
Senior Center General Purpose	NC-16		11,398
Operation Fan Heat Relief	NC-16		944
Prescription Assistance Program			
Medication Assistance Grant	43167		27,197
Department of Insurance			
Seniors' Health Insurance Information Program (SHIIP)	45988/89		11,201
Total State Expenditures			\$ 506,687

The accompanying notes are an integral part of this schedule.

Brunswick Senior Resources, Inc.
Notes to the Schedule of Expenditures of Federal and State Awards
for the fiscal year ended June 30, 2016

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (“the Schedule”) includes the federal and state grant activities of BSRI, primarily under a group of programs of the federal government known as the “Aging Cluster” and the program “Social Service Block Grant” for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of the applicable sections of Title 2 U.S. *Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as adopted by the North Carolina State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of BSRI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the organization.

BSRI received its federal funding indirectly as it was initially awarded to the State of North Carolina and passed through its agencies. It also received direct State funding which is presented in a separate section of the Schedule.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations, Part 230, Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Subrecipients

BSRI spent the federal and state funds presented in the Schedule directly and did not make awards to subrecipients.

4. Indirect Cost Rate

BSRI did not elect to use the 10% de minimis indirect cost rate for reimbursement of overhead costs that non-federal entities may use if they have never received a negotiated indirect cost rate.

See the accompanying Schedule of Expenditures of Federal and State Awards