



Brunswick Senior Resources, Inc.

Making a Difference

# BRUNSWICK SENIOR RESOURCES, INC.

## Audited Financial Statements

for the fiscal year ended

**June 30, 2018**

(with comparative totals for 2017)



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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, 2018, 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, 2018, 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 2017 financial statements and our report dated October 19, 2017 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, 2017, 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 15, 2018, 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 15, 2018

Brunswick Senior Resources, Inc.  
**Statement of Financial Position**  
as of June 30, 2018  
(with comparative totals for 2017)

	<b>6/30/18</b>	<b>6/30/17</b>
<b>Assets</b>		
Cash and Cash Equivalents (Notes 3c and 4)	\$ 415,185	\$ 450,549
Grants and Other Receivables (Note 5)	178,064	162,234
Prepaid Expenses & Other Assets	36,909	27,118
Property & Equipment, net (Note 7)	1,156,997	1,031,200
<b>Total Assets</b>	<b>1,787,155</b>	<b>1,671,101</b>
 <b>Liabilities &amp; Net Assets</b>		
Accounts Payable & Accrued Liabilities (Note 8)	273,276	245,325
<b>Total Liabilities</b>	<b>273,276</b>	<b>245,325</b>
Net Assets		
Unrestricted (Note 3b)	1,507,466	1,358,783
Temporarily Restricted (Note 3b)	6,413	66,993
Permanently Restricted (Note 3b)	-	-
<b>Total Net Assets</b>	<b>1,513,879</b>	<b>1,425,776</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 1,787,155</b>	<b>\$ 1,671,101</b>

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

Brunswick Senior Resources, Inc.  
**Statement of Activities**  
for the year ended June 30, 2018  
(with comparative totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total FY 2017/18</u>	<u>Total FY 2016/17</u>
<b>Revenue</b>				
Brunswick County Grants (Note 5)	\$ 2,076,705	\$ -	\$ 2,076,705	\$ 1,650,000
Home & Community Care Block Grant (Note 5)	1,101,946	-	1,101,946	1,045,777
Donated Facilities & Services (Notes 3d & 9)	637,177	-	637,177	481,239
North Carolina Grants & Contracts (Note 5)	35,497	1,663	37,160	41,943
Other Contributions (Note 5)	101,083	4,750	105,833	133,468
Thrift Store, net (Note 12)	66,497	-	66,497	42,575
Facility Rentals, net (Note 13)	92,519	-	92,519	51,011
Program & Other Income	111,727	-	111,727	93,511
Net Assets Released from Restriction (Note 3b)	66,993	(66,993)	-	-
<b>Total Revenue</b>	<b>4,290,144</b>	<b>(60,580)</b>	<b>4,229,564</b>	<b>3,539,524</b>
<b>Expense</b>				
Program (Note 3e)				
Nutrition	1,036,170		1,036,170	1,055,579
Senior Center Operations	1,835,193		1,835,193	1,170,344
Case Management	535,128		535,128	550,773
Transportation	115,633		115,633	127,601
Program Total	3,522,124	-	3,522,124	2,904,297
Management & General (Note 3e)	481,591		481,591	460,191
Fundraising (Note 3e)	137,746		137,746	139,568
<b>Total Expense</b>	<b>4,141,461</b>	<b>-</b>	<b>4,141,461</b>	<b>3,504,056</b>
<b>Change in Net Assets</b>	<b>148,683</b>	<b>(60,580)</b>	<b>88,103</b>	<b>35,468</b>
Net Assets Beginning of Year	1,358,783	66,993	1,425,776	1,390,308
<b>Net Assets End of Year</b>	<b>\$ 1,507,466</b>	<b>\$ 6,413</b>	<b>\$ 1,513,879</b>	<b>\$ 1,425,776</b>

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, 2018  
(with comparative totals for 2017)

**Functional Expense Summary**

<u>Expense Type</u>	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total FY 2017/18</u>	<u>Total FY 2016/17</u>
Wages, Taxes & Benefits	\$ 1,344,458	\$ 265,135	\$ 115,047	<b>\$ 1,724,640</b>	\$ 1,427,876
Professional Services	317,328	77,810	-	<b>395,138</b>	377,648
Homebound Meals	226,618	-	-	<b>226,618</b>	251,026
Congregate Meals	144,359	-	-	<b>144,359</b>	143,102
General Transportation	114,961	-	-	<b>114,961</b>	112,685
Medical Transportation	672	-	-	<b>672</b>	14,916
Facilities	989,020	70,256	8,506	<b>1,067,782</b>	782,647
Vehicles & Equipment	107,682	15,825	1,699	<b>125,206</b>	103,104
General Operations	200,932	39,805	12,494	<b>253,231</b>	220,402
Depreciation	76,094	12,760	-	<b>88,854</b>	70,650
<b>Total Expense</b>	<b>\$ 3,522,124</b>	<b>\$ 481,591</b>	<b>\$ 137,746</b>	<b>\$ 4,141,461</b>	<b>\$ 3,504,056</b>

**Program Expense Summary**

<u>Expense Type</u>	<u>Nutrition</u>	<u>Senior Center Operations</u>	<u>Case Management</u>	<u>Transportation</u>	<u>Program Total</u>
Wages, Taxes & Benefits	\$ 509,513	\$ 574,189	\$ 260,756	\$ -	<b>\$ 1,344,458</b>
Professional Services	10,560	84,610	222,158	-	<b>317,328</b>
Homebound Meals	226,618	-	-	-	<b>226,618</b>
Congregate Meals	144,359	-	-	-	<b>144,359</b>
General Transportation	-	-	-	114,961	<b>114,961</b>
Medical Transportation	-	-	-	672	<b>672</b>
Facilities	65,064	915,521	8,435	-	<b>989,020</b>
Vehicles & Equipment	20,095	83,366	4,221	-	<b>107,682</b>
General Operations	34,102	130,824	36,006	-	<b>200,932</b>
Depreciation	25,859	46,683	3,552	-	<b>76,094</b>
<b>Total Expense</b>	<b>\$ 1,036,170</b>	<b>\$ 1,835,193</b>	<b>\$ 535,128</b>	<b>\$ 115,633</b>	<b>\$ 3,522,124</b>

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

Brunswick Senior Resources, Inc.  
**Statement of Cash Flows**  
as of June 30, 2018  
(with comparative totals for 2017)

	<b>FY 2017/18</b>	<b>FY 2016/17</b>
<b>Cash Flows from Operating Activity</b>		
Change in Net Assets	\$ 88,103	\$ 35,468
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Changes in certain assets and liabilities:		
Grants & Contracts Receivable	(15,830)	17,777
Prepaid Expenses	(9,791)	(12,952)
Accounts Payable & Accrued Expenses	27,951	26,938
Depreciation	92,318	74,114
<b>Net Cash Provided by Operating Activities</b>	<b>182,751</b>	<b>141,345</b>
<b>Cash Flows from Investing Activities</b>		
Property & Equipment Additions	(218,115)	(165,451)
<b>Net Cash Used in Investing Activities</b>	<b>(218,115)</b>	<b>(165,451)</b>
<b>Cash Flows from Financing Activities</b>		
None	-	-
<b>Net Cash Used in Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(35,364)</b>	<b>(24,106)</b>
Cash and cash equivalents, beginning of year	450,549	474,655
<b>Cash and cash equivalents, end of year</b>	<b>\$ 415,185</b>	<b>\$ 450,549</b>

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

Brunswick Senior Resources, Inc.  
**Notes to the Financial Statements**  
June 30, 2018

**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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*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, 2018, 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.  
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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 \$5,000. 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.

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Brunswick Senior Resources, Inc.  
**Notes to the Financial Statements**  
June 30, 2018

**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:

- Local government funding approved annually by the Brunswick County Board of Commissioners (\$2,076,705). 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 (\$1,101,946) 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 \$637,177, 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 \$178,064 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 (\$160,367) and a North Carolina sales tax refund request (\$11,218). 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 \$2,076,705 of direct grant funding from Brunswick County along with \$1,101,946 of Block Grant funding passed through the County and \$637,177 of in-kind revenue from the use of primarily County facilities. Taken together, these direct and pass-through funding sources total \$3,815,828 or 90% 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 15, Related Parties*.

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Brunswick Senior Resources, Inc.  
**Notes to the Financial Statements**  
June 30, 2018

**7. Property and Equipment**

The property and equipment balance of \$1,156,997 is stated at cost and consists of the following:

Building Improvements	\$ 911,028
Vehicles	351,989
Furniture & Equipment	<u>366,518</u>
	1,629,535
Less accumulated depreciation	<u>(472,538)</u>
<b>Property &amp; Equipment, Net</b>	<b><u>\$ 1,156,997</u></b>

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 \$92,318 for FY 2017/18. Of this total \$88,854 appears as a line item on the Statement of Functional Expenses, the remaining \$3,464 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	\$ 138,460
Payroll & Related Payables	<u>134,816</u>
<b>Total</b>	<b><u>\$ 273,276</u></b>

**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 67,500 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 \$637,177 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.

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Brunswick Senior Resources, Inc.  
**Notes to the Financial Statements**  
June 30, 2018

**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 totaled \$64,877 for FY 2017/18. Of this total \$62,001 is included in the "Wages, Taxes and Benefits" line item on the Statement of Functional Expenses, the remaining 2,876 is related to Thrift Store and is included on the Statement of Activities in the line item "Thrift Store, net".

**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 \$6,413 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 2017/18, funds totaling \$66,993 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 17/18, the thrift store had gross sales of \$313,565 and expenses related to the operation of the store of \$247,068. The net amount of \$66,497 appears on the Statement of Activities as the revenue line item "Thrift Store, net."

**13. Facility Rental**

Throughout the year BSRI rents space at their senior centers for use by other local organizations. During FY 17/18, gross revenues from facility rentals totaled \$128,619 with related expenses of \$36,100. The net amount of \$92,519 appears on the Statement of Activities as the revenue line item "Facility Rentals, net."

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Brunswick Senior Resources, Inc.  
**Notes to the Financial Statements**  
June 30, 2018

**14. 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 2014/15.

**15. 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).

BSRI contracts transportation services for its clients through a local nonprofit agency, Brunswick Transit System, Inc. (BTS). BSRI's executive director is an unpaid member of the board of directors of BTS. During the fiscal year ended June 30, 2018, BSRI paid BTS \$110,030 for transportation services. BSRI also received a \$7,500 payment from BTS in its role as an administrator of the Rural Operating Assistance Program, a state-funded public transportation program.

**16. Subsequent Events**

BSRI has evaluated events that have occurred subsequent to the statement of financial position date (June 30, 2018) and through the date that the Independent Auditor's Report was available to be issued (November 15, 2018). No events have occurred during that period that would require adjustments to the audited financial statements or disclosure in these notes.

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**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, 2018, 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 15, 2018.

**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 15, 2018

Brunswick Senior Resources, Inc.  
**Schedule of Expenditures of Federal and State Awards**  
for the fiscal year ended June 30, 2018

<b>Federal Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>	<b>State Expenditures</b>
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	406,086	23,908
Nutrition Services Incentive Program (NSIP)	93.053	84,425	-
Total Aging Cluster		566,065	28,352
Special Programs for the Aging - Title III			
Part D - Disease Prevention & Health Promotion Services	93.043	9,289	547
National Family Caregiver Support, Title III, Part E	93.052	24,873	1,658
Social Services Block Grant	93.667	-	437,536
<b>Total Federal Expenditures</b>		<b>\$ 600,227</b>	
<b>North Carolina State Grantor/ Program Title</b>	<b>State Ref.</b>		
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		32,815
Operation Fan Heat Relief	NC-16		877
Prescription Assistance Program			
Medication Assistance Grant	43167		23,000
Department of Insurance			
Seniors' Health Insurance Information Program (SHIIP)	45988/89		7,971
<b>Total State Expenditures</b>			<b>\$ 532,756</b>

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, 2018

**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, 2018. 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