

SENIOR PHARMASSIST, INC.
Durham, North Carolina

Audited Financial Statements

Years Ended June 30, 2019 and 2018

**THOMAS
& GIBBS**
CPAs, PLLC
Certified Public Accountants
and Consultants

SENIOR PHARMASSIST, INC.
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and Consultants

Report of Independent Auditors

To the Board of Directors
Senior PharmAssist, Inc.
Durham, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Senior PharmAssist, Inc., (the “Organization”), which comprise the statements of assets, liabilities and net assets-modified cash basis as of June 30, 2019 and 2018, and the related statements of revenues, expenses and other changes in net assets, and the statements of functional expenses for the years 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 the modified cash basis of accounting as described in Note 2; this includes the determination that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Organization as of June 30, 2019 and 2018, and its related revenues and expenses, and functional expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

Other matters

Basis of accounting - We draw attention to Note 2 of the financial statements which describes the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Thomas J. Gilbo CPA, PLLC

Durham, North Carolina
October 1, 2019

SENIOR PHARMASSIST, INC.
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
Modified Cash Basis
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents (note 4)	\$ 515,920	\$ 488,104
Investments (note 5)	933,343	770,118
Beneficial interest in assets held by others	182,507	175,818
Sales tax receivable	1,380	597
Deposits	1,876	1,876
Total current assets	1,635,026	1,436,513
Non-current assets		
Property and equipment, net (note 7)	5,451	5,389
Total non current assets	5,451	5,389
Total assets	\$ 1,640,477	\$ 1,441,902
Liabilities and net assets		
Current liabilities		
Payroll liabilities	\$ 24,150	\$ 43
Total current liabilities/total liabilities	24,150	43
Net assets without donor restrictions		
Undesignated	419,579	494,163
Board designated (note 15)	1,196,748	947,696
Total net assets without donor restrictions	1,616,327	1,441,859
Total liabilities and net assets	\$ 1,640,477	\$ 1,441,902

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

SENIOR PHARMASSIST, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Modified Cash Basis
Years Ended June 30, 2019 and 2018

	2019	2018
Operating activities:		
Revenues and other support		
Government contracts	\$ 288,840	\$ 266,989
Government sponsorships	5,000	-
Foundations	200,266	237,631
Individuals	331,289	257,496
Corporations and businesses	64,814	72,741
Special events	29,264	38,914
Civic groups	24,240	25,879
Workplace campaigns	19,885	23,605
Program revenue	62,258	90,287
Interest income	3,072	2,174
Miscellaneous income	1,070	498
Total operating revenues and gains	<u>1,029,998</u>	<u>1,016,214</u>
Expenses		
Program services	770,071	677,178
Management and general	62,327	57,696
Fundraising	<u>97,185</u>	<u>97,584</u>
Total expenses	<u>929,583</u>	<u>832,458</u>
Change in net assets from operations	100,415	183,756
Nonoperating activities:		
Stewardship contributions	10,100	137,342
Return on investments, net	57,264	45,479
Return on beneficial interest in assets held by others, net	<u>6,689</u>	<u>7,839</u>
Change in net assets from non-operating activities	<u>74,053</u>	<u>190,660</u>
Change in net assets without donor restrictions	174,468	374,416
Net assets without donor restrictions, beginning of year	<u>1,441,859</u>	<u>1,067,443</u>
Net assets without donor restrictions, end of year	<u>\$ 1,616,327</u>	<u>\$ 1,441,859</u>

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

SENIOR PHARMASSIST, INC.
STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and related expenses	\$ 560,500	\$ 44,442	\$ 77,622	\$ 682,564
Pharmaceutical expenses (note 6)	107,498	-	-	107,498
Rent/janitorial	26,733	2,168	3,668	32,569
Contract services	22,042	9,251	2,455	33,748
Special events expenses	4,296	375	6,338	11,009
Telephone/internet	7,046	608	896	8,550
Printing	6,192	468	1,261	7,921
Supplies	9,917	524	741	11,182
Postage	2,214	188	1,850	4,252
Membership dues	3,391	37	251	3,679
Insurance	3,269	214	289	3,772
Miscellaneous	5,040	455	635	6,130
Maintenance agreements	2,137	178	279	2,594
Participant transportation	1,891	-	-	1,891
Conferences	2,839	135	317	3,291
Travel	453	5	7	465
Conferences hosted	1,000	-	-	1,000
Professional development	-	81	150	231
Equipment	2,289	200	270	2,759
Banking/credit card fees	-	2,882	-	2,882
Depreciation expense	1,324	116	156	1,596
	<u>\$ 770,071</u>	<u>\$ 62,327</u>	<u>\$ 97,185</u>	<u>\$ 929,583</u>

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

SENIOR PHARMASSIST, INC.
STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and related expenses	\$ 500,345	\$ 43,629	\$ 73,277	\$ 617,251
Pharmaceutical expenses (note 6)	105,836	-	-	105,836
Rent/janitorial	25,435	2,191	3,995	31,621
Contract services	4,584	9,754	1,253	15,591
Special events expenses	500	-	8,294	8,794
Telephone/internet	4,483	378	661	5,522
Printing	6,605	358	3,163	10,126
Supplies	10,457	490	1,075	12,022
Postage	2,826	180	1,701	4,707
Membership dues	2,703	33	259	2,995
Insurance	3,217	193	333	3,743
Miscellaneous	3,670	298	2,965	6,933
Maintenance agreements	1,569	128	224	1,921
Participant transportation	-	6	-	6
Conferences	3,067	-	284	3,351
Travel	613	-	-	613
Publications	552	-	-	552
Depreciation expense	716	58	100	874
	<u>\$ 677,178</u>	<u>\$ 57,696</u>	<u>\$ 97,584</u>	<u>\$ 832,458</u>

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

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 1 – Nature of activities

Senior PharmAssist, Inc. (the “Organization”) is a nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contributions 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 was incorporated in 1998 to promote healthier living for Durham seniors by helping them obtain and better manage needed medications and by providing health education, Medicare insurance counseling, community referral and advocacy.

Note 2 – Significant accounting policies

Basis of accounting – The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, certain revenues and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Organization has not recognized contracts, grants and other receivables, prepaid expenses, accounts payable, accrued expenses, deferred revenue, and their related effects on the change in net assets in the accompanying financial statements. Modifications to the cash basis of accounting include the capitalization and depreciation of fixed assets, refundable sales taxes, investment gains and losses, and payroll tax liabilities. In addition, the Organization does not recognize non-cash donations of materials or services.

Basis of presentation – The financial statements of Senior PharmAssist, Inc. are presented according to Financial Accounting Standards Board (“FASB”) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-profit Entities* which prescribes the presentation of the Organization’s financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

At June 30, 2019 and 2018, Senior PharmAssist, Inc. has no net assets with donor restrictions.

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization’s ongoing program services and interest and dividends

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 2 – Significant accounting policies (continued)

Measure of operations (continued) - on undesignated accounts. Non-operating activities are limited to resources that generate return from investments and other activities designated as reserves.

Cash and cash equivalents – The Organization’s cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from date of purchase.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of assets, liabilities and net assets. The return on investments is included in the statement of revenues, expenses and other changes in net assets for the period.

Fair value - Accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization had no Level 3 assets or liabilities for the years presented.

Property and equipment – Purchases of furniture and equipment are recorded at cost. It is the Organization’s policy that equipment expenditures costing less than \$500 are expensed. Donated capital assets are recorded at their estimated fair value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from five to seven years. Expenditures for repairs and maintenance are expensed as paid. The cost of major renewals and betterments are capitalized and depreciated over their useful lives. Upon disposition of property and equipment, the related asset and accumulated depreciation accounts are removed and gain or loss is reflected in the statement of revenues, expenses and other changes in net assets for the period.

Advertising - The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2019 and 2018 was \$589 and \$465, respectively.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 2 – Significant accounting policies (continued)

Income taxes – The Organization is exempt from income taxes under Section 501 (c)(3) of the federal income tax code. Consequently, no provision for income taxes has been made in the accompanying statements.

Uncertain tax positions – Income from certain activities not directly related to the Organization’s tax-exempt purposes may be subject to taxation as unrelated business income. The Organization currently has no obligation for unrelated business income tax. The Organization believes that it has appropriate support for any tax position taken and as such, does not have any uncertain tax positions. The prior three years’ tax returns remain subject to examination by the taxing authorities.

Expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses and other changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on the basis of time and effort which was determined through time and activity analysis.

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

Pending accounting pronouncement – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires that lessees recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. The ASU is effective for the Organization for the year ending June 30, 2020. The adoption of this standard is not expected to result in the Organization’s recognizing right-of-use assets and lease liabilities for any current leases.

Reclassifications – Certain 2018 amounts have been reclassified to conform to the 2019 presentation. The opening balance of board designated net assets increased by \$1,760 at July 1, 2018 to \$947,696 and undesignated net assets decreased to \$494,163.

Note 3 – Availability and liquidity

The Board of Directors has designated the value of the investments and beneficial interest in assets held by others accounts to be reserved for future shortfalls in revenue, should they occur. In addition, security deposits are not immediately available for use. Therefore, \$1,198,624 is currently not considered available to meet current operating expenses, leaving \$436,402 of current assets available for operating expenses over the next twelve months.

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 4 – Cash and cash equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization had the following cash and cash equivalents balances at June 30:

	2019	2018
Checking	184,345	\$ 313,621
Money market	16,861	16,853
Savings	233,816	155,870
Investment cash	80,898	1,760
Total	\$ 515,920	\$ 488,104

Note 5 – Investments

Investments at fair value (Level 1) consist of the following at June 30:

	2019	2018
Bond funds		
PIMCO Total Return Class D	\$ 329,361	\$ 265,815
Equity funds		
Ishares Core S&P Total US Stock Market ETF	446,544	366,481
Ishares CTR Core MSCI Total ETF	157,438	137,822
	\$ 933,343	\$ 770,118

The return on investments consisted of the following at June 30:

	2019	2018
Realized and unrealized gains (losses), net	\$ 32,946	\$ 31,808
Interest and dividend income	24,318	13,671
	\$ 57,264	\$ 45,479

Note 6 – Beneficial interest in assets held by others

In February 2014, the Organization transferred \$105,000 to the Triangle Community Foundation (the “Foundation”) in exchange for future distributions of the non-endowment fund (the “Fund”). Since February 2014, the Organization and its donors have transferred additional assets to the Foundation. The Board of Directors of the Foundation has complete legal and fiduciary control of assets of the Fund, including, but not limited to, full authority and discretion as to investment and reinvestment of assets. The Fund and all funds therein shall be administered by the Foundation subject to its Charter and Bylaws, including the power contained therein for the Board of Directors of the Foundation to modify any restrictions or conditions if in their sole judgment (without the approval of any trustee, custodian or agent) such restrictions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 6 – Beneficial interest in assets held by others (continued)

The beneficial interest in assets held by others is considered to be a Level 2 item in the fair value hierarchy described in Note 2 and has no limits on distributions. The investments are held in a pool of publicly traded assets, which is valued based on the net asset value of the shares held by the pool. The Organization values its portion of the pool based on its respective percentage of the asset pool's total value.

Investment fees netted with investment income in the statement of activities were \$1,761 and \$1,750 for the years ended June 30, 2019 and 2018, respectively.

Note 7 – Property and equipment, net

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 23,501	\$ 29,059
Less accumulated depreciation	<u>(18,050)</u>	<u>(23,670)</u>
Property and equipment, net	<u>\$ 5,451</u>	<u>\$ 5,389</u>

The Organization recognized depreciation expense of \$1,596 and \$874 for the years ended June 30, 2019 and 2018, respectively.

Note 8 – Pharmaceutical expenses

The Organization pays the cost of necessary prescriptions, less a nominal co-payment for seniors meeting income eligibility requirements. The payments are made through a third party administrator.

Note 9 – Concentrations

The Organization maintains demand deposits with high quality financial institutions that may, from time to time, exceed Federal Deposit Insurance Corporation or other similar limitations. The Organization had uninsured cash balances at June 30, 2019 and 2018 of \$0 and \$70,000, respectively.

For the years ended June 30, 2019 and 2018, the Organization had one major source of funding that accounted for 13.6% and 11% of revenues, respectively.

Note 10 – Retirement plan

The Organization provides a defined contribution plan available to all employees with annual compensation in excess of \$5,000. Participants may contribute any amount up to IRS limits to the plan, and the Organization matches participants' contributions up to 3% of compensation. For the years ended June 30, 2019 and 2018, contributions to the plan were \$15,198 and \$14,842, respectively.

Note 11 – Lease commitments

The Organization leases its office space and equipment under two leases expiring at various times through June 2021 with monthly payments ranging from \$112 to \$2,872. Rent expense under the office and equipment leases was approximately \$32,569 and \$31,621 for the years ended June 30, 2019 and 2018, respectively.

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 11 – Lease commitments (continued)

Future minimum payments, by year and in aggregate, under operating leases with remaining terms of one year or more are as follows:

Years Ending June 30	Amount
2020	\$ 34,911
2021	35,914
2022	1,448
2023	224
2024	-
	<u>\$ 72,497</u>

Note 12 – Contingencies

The Organization receives grant funds. Such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Organization.

The Organization has the usual obligations of a contractor for performance in connection with contracts for work performed and to be performed. Management does not anticipate any significant losses in connection with these grants and contracts.

Note 13 – Accrued paid time off

The Organization has a leave policy in which employees are allowed to carry over varying amounts of accrued vacation into the subsequent year depending on length of service. Unpaid employee balances are paid at termination of employment if the employee has five or more years of service. The financial statements do not reflect this obligation. Sick leave may be carried over in a similar manner, however, only actual days used are paid.

Note 14 – Donated services

A number of volunteers have donated substantial amounts of time toward the programs and the various activities of the Organization, but no amounts have been reflected in the financial statements as there is no objective basis upon which to measure the value of such services. The Organization estimates that it received 4,019 and 3,320 hours in donated services during the years ended June 30, 2019 and 2018, respectively.

Note 15 – Board designated net assets

As of June 30, 2019 and 2018, the Board of Directors designated \$1,196,748 and \$947,696 respectively of unrestricted net assets to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 15 – Board designated net assets

Board designated net assets are consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Investments	\$ 933,343	\$ 770,118
Beneficial interest in assets held by others	182,507	175,818
Money market	<u>80,898</u>	<u>1,760</u>
	<u>\$ 1,196,748</u>	<u>\$ 947,696</u>

Note 16 – Subsequent events

The Organization has evaluated subsequent events occurring after June 30, 2019 through October 1, 2019, which is the date the financial statements were available to be issued.