

SENIOR PHARMASSIST, INC.
AUDITED FINANCIAL STATEMENTS
June 30, 2015 and 2014

Senior PharmAssist, Inc.

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Senior PharmAssist, Inc. (the Organization) (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets-modified cash basis as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and other changes in net assets-modified cash basis 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 1; this includes determining 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

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, 2015 and 2014, and its revenues and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on 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 that matter.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses-modified cash basis for the year ended June 30, 2015 (with comparative totals for 2014) is presented for additional analysis, 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mark S. Dames, CPA, PLLC

Durham, North Carolina
August 26, 2015

Senior PharmAssist, Inc.
 Statements of Assets, Liabilities and Net Assets-Modified Cash Basis
 June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 372,817	\$ 518,726
Investments	291,157	111,291
Beneficial interest in assets held by others	154,035	104,894
Deposits	1,876	1,876
Property and Equipment:		
Office furniture and equipment	22,332	23,099
Less: Accumulated depreciation	(18,908)	(17,823)
Property and equipment, net	3,424	5,276
Total assets	\$ 823,309	\$ 742,063
Liabilities and Net Assets		
Payroll taxes	\$ 951	\$ 1,167
Total liabilities	951	1,167
Unrestricted Net Assets	822,358	740,896
Total liabilities and net assets	\$ 823,309	\$ 742,063

See independent auditor's report and accompanying notes to financial statements.

Senior PharmAssist, Inc.
 Statements of Revenues, Expenses, and Other Changes in Net Assets-
 Modified Cash Basis

For the Years Ended June 30, 2015 and 2014

	2015	2014
Unrestricted Net Assets		
Revenues and Gains (Losses)		
Government contracts	\$ 103,885	\$ 101,067
Foundations	238,700	171,549
Individuals	228,732	443,418
Corporations and businesses	96,696	65,475
Stewardship contributions	46,350	-
Civic groups	26,835	19,060
Donor designated campaigns	23,163	16,164
Program revenue	3,790	19,198
Return on investments	(2,532)	4,856
Return on beneficial interest in assets held by others	4,311	9
Interest income	1,059	1,117
Miscellaneous income	158	139
Total unrestricted revenues and gains (losses)	771,147	842,052
Expenses		
Program services	543,097	504,182
Management and general	61,642	60,389
Fundraising	84,946	83,584
Total expenses	689,685	648,155
Change in unrestricted net assets	81,462	193,897
Net assets at beginning of year	740,896	546,999
Net assets at end of year	\$ 822,358	\$ 740,896

See independent auditor's report and accompanying notes to financial statements.

Senior PharmAssist, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

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 contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Organization 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.

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting with modifications, 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 the 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 and grants receivable, 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. Additionally, the Organization does not recognize non-cash donations of materials or services.

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.

Donor Imposed Restrictions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenues are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

Functional Allocation of Expenses

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 services benefited.

Senior PharmAssist, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income Taxes

No provision has been made for income taxes in the financial statements. Furthermore, 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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 statement of revenues, expenses, and other changes in net assets for the period.

Fair Value Measurements

Accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the 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 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;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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.

Senior PharmAssist, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Property and Equipment

It is the Organization's policy to capitalize all property and equipment with an original cost or donated value of \$500 or more and an estimated useful life of more than one year. Purchased property and equipment are recorded at cost. Depreciation is computed over the straight-line method over the useful lives ranging from five to seven years.

Expenditures for repairs and maintenance are charged to expense as incurred. 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 any gain or loss is reflected in the statement of revenues, expenses, and other changes in net assets for the period.

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 2,362 and 3,873 hours in donated services during the years ended June 30, 2015 and 2014, respectively.

Note 2 - Concentration of Risk

The Organization maintains demand deposits with high quality financial institutions that may be in excess of Federal Deposit Insurance Corporation or other similar limitations. Cash and cash equivalents balances in excess of these limitations were \$-0- and \$20,579 at June 30, 2015 and 2014, respectively.

For the year ended June 30, 2015, the Organization had one major source of funding that accounted for 12% of total revenues.

For the year ended June 30, 2014, the Organization had three major sources of funding that accounted for 47% of total revenues.

Note 3 - Retirement Plan

The Organization has a defined contribution plan that covers all employees with annual compensation over \$5,000. Under the plan, participants may contribute any amount up to IRS limitations to the plan, and the Organization matches participants' contributions up to 3% of compensation. For the years ended June 30, 2015 and 2014, contributions to the plan were \$12,605 and \$10,634, respectively.

Senior PharmAssist, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Note 4 – Investments

Investments consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Mutual funds:		
PIMCO Total Return Class D, PTTDX	\$ 112,587	\$ 111,291
Ishares Core S&P Total US Stock Mkt EFT	125,996	-
Ishares Trust Core MSCI Total Intl Stk EFT	52,574	-
	<u>\$ 291,157</u>	<u>\$ 111,291</u>

The return on investments consisted of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Realized and unrealized gains (losses), net	\$ (8,419)	\$ 2,835
Interest and dividend income	5,887	2,021
	<u>\$ (2,532)</u>	<u>\$ 4,856</u>

All investments are considered to be Level 1 assets in the fair value hierarchy described in Note 1 above.

Note 5 - 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). 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, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

The beneficial interest in assets held by others is considered to be a Level 2 item in the fair value hierarchy described in Note 1 above. In this case, investments are held in a pool of publically traded assets. The pool of assets 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.

Given that the Foundation's quarterly statement for the period ended June 30, 2014 was not available during audit fieldwork, the balance in the financial statements reflects the balance in the account at March 31, 2014. Management does not believe that the difference in these two amounts is significant to the financial statements taken as a whole.

Senior PharmAssist, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Note 6 – 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.

During fiscal year 2013, the Organization identified errors in the pharmaceutical claims processed by the third-party administrator, but decided to accrue \$28,182 in expenses at June 30, 2013 in order to match the third-party administrator's records until the matter could be resolved. In fiscal year 2014, the matter was resolved in the Organization's favor and the reversal of the prior year accrual was shown as a reduction in expenses. Therefore, the actual cash outlays for pharmaceutical expenses in fiscal year 2014 were \$60,426 (i.e. a combination of the \$32,244 shown in the supplemental schedule below and the adjustment of \$28,182 mentioned above).

Note 7 - Lease Commitments

The Organization leases office space and equipment under two non-cancelable leases expiring at various times through September 2017 with monthly payments ranging from \$76 to \$2,478. Rental expense on these operating leases was \$31,156 and \$28,921 for the years ended June 30, 2015 and 2014, respectively. Future minimum lease payments for the years ending June 30 are as follows:

2016	\$	30,643
2017		912
2018		<u>228</u>
	\$	<u><u>31,783</u></u>

Note 8 - Subsequent Events

The Organization has entered into an agreement to provide medication management services to a local healthcare provider in fiscal years 2016, 2017 and 2018 at a rate of \$70,000 per year.

The Organization has evaluated subsequent events through August 26, 2015, which is the date these financial statements were available to be issued, and has determined that there are no other subsequent events that require disclosure.

Senior PharmAssist, Inc.
Supplementary Information
Schedule of Functional Expenses – Modified Cash Basis
For the Year Ended June 30, 2015 (with comparative totals for 2014)

	Program Services	Management and General	Fundraising	2015 Total	2014 Total
Salaries and related expenses	\$ 393,126	\$ 42,342	\$ 72,082	\$ 507,550	\$ 524,874
Pharmaceutical expenses	91,696	-	-	91,696	32,244
Rent/janitorial	22,623	2,372	3,935	28,930	28,079
Contract services	3,598	10,555	1,143	15,296	18,145
Telephone/internet	3,719	390	646	4,755	4,598
Printing	4,842	417	2,724	7,983	8,138
Supplies	6,032	365	753	7,150	7,344
Postage	1,654	174	1,508	3,336	4,222
Membership dues	3,011	141	361	3,513	3,339
Insurance	2,535	205	339	3,079	2,902
Miscellaneous	4,031	4,174	551	8,756	6,336
Maintenance agreements	1,740	183	303	2,226	2,117
Participant transportation	751	-	-	751	827
Conferences attended	1,810	163	313	2,286	1,673
Travel	80	-	-	80	77
Publications	15	9	36	60	418
Conferences hosted	386	-	-	386	970
Depreciation	<u>1,448</u>	<u>152</u>	<u>252</u>	<u>1,852</u>	<u>1,852</u>
 Totals	 <u>\$ 543,097</u>	 <u>\$ 61,642</u>	 <u>\$ 84,946</u>	 <u>\$ 689,685</u>	 <u>\$ 648,155</u>

See independent auditor's report on supplementary information.