

SENIOR PHARMASSIST, INC.
Durham, North Carolina

Audited Financial Statements

Years Ended June 30, 2017 and 2016

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

SENIOR PHARMASSIST, INC.
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Years Ended June 30, 2017 and 2016

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Certified Public Accountants
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., Inc. (the “Organization”), which comprise the statements of assets, liabilities and net assets-modified cash basis as of June 30, 2017, and the related statements of revenues, expenses and other changes in net assets, and the statement of functional expenses 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 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 audit. We conducted our audit 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 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 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, 2017 and its revenues and expenses, and functional expenses for the year 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.

Other auditors - The June 30, 2016 financial statements were audited by other auditors and their report issued August 18, 2016 expressed an unmodified opinion.

Thomas S. Gibbs CMA, PLLC

Durham, North Carolina
September 5, 2017

SENIOR PHARMASSIST, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
Modified Cash Basis
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 378,802	\$ 396,860
Investments (note 3)	514,265	380,798
Beneficial interest in assets held by others	167,979	150,911
Sales tax receivable	2,171	374
Deposits	1,876	1,876
Total current assets	1,065,093	930,819
Property and equipment, net (note 5)	2,634	1,572
Total non current assets	2,634	1,572
Total assets	\$ 1,067,727	\$ 932,391
 Liabilities and net assets		
Liabilities		
Payroll liabilities	\$ 284	\$ 723
Total liabilities	284	723
Net assets		
Undesignated	385,199	399,959
Board designated (note 13)	682,244	531,709
Total unrestricted net assets	1,067,443	931,668
Total liabilities and net assets	\$ 1,067,727	\$ 932,391

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

SENIOR PHARMASSIST, INC.
STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS
Modified Cash Basis
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted revenues and gains (losses)		
Government contracts	\$ 130,781	\$ 108,016
Foundations	169,777	212,726
Individuals	232,184	234,138
Corporations and businesses	98,131	74,594
Special events	54,438	50,060
Stewardship contributions	1,700	50,000
Civic groups	32,200	32,652
Workplace campaigns	22,432	19,179
Program revenue	83,444	43,511
Return on investments	52,076	8,564
Return on beneficial interest in assets held by others	18,655	(1,641)
Interest income	1,571	973
Miscellaneous income	222	242
Total unrestricted revenues and gains	<u>897,611</u>	<u>833,014</u>
Expenses		
Program services	596,194	564,047
Management and general	69,561	64,859
Fundraising	96,082	94,798
Total expenses	<u>761,836</u>	<u>723,704</u>
Change in unrestricted net assets	135,775	109,310
Unrestricted net assets, beginning of year	<u>931,668</u>	<u>822,358</u>
Unrestricted net assets, end of year	<u>\$ 1,067,443</u>	<u>\$ 931,668</u>

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

SENIOR PHARMASSIST, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Year Ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and related expenses	\$ 438,309	\$ 46,924	\$ 75,179	\$ 560,412
Pharmaceutical expenses (note 6)	90,698	-	-	90,698
Rent/janitorial	24,348	2,545	3,807	30,700
Contract services	9,098	12,773	1,537	23,408
Special events expenses	225	-	8,223	8,448
Telephone/internet	3,844	402	608	4,854
Printing	6,322	563	2,246	9,131
Supplies	8,481	506	908	9,895
Postage	1,866	197	1,870	3,933
Membership dues	1,760	41	264	2,065
Insurance	2,901	240	358	3,499
Miscellaneous	1,647	117	189	1,953
Maintenance agreements	2,434	254	381	3,069
Participant transportation	941	-	-	941
Conferences	1,293	124	98	1,515
Travel	186	2	-	188
Publications	161	41	163	365
Conferences hosted	65	-	-	65
Investment expense	-	4,664	-	4,664
Depreciation expense	1,615	169	253	2,037
	<u>\$ 596,194</u>	<u>\$ 69,561</u>	<u>\$ 96,082</u>	<u>\$ 761,836</u>

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

SENIOR PHARMASSIST, INC.
STATEMENT OF FUNCTIONAL EXPENSES -MODIFIED CASH BASIS
Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and related expenses	\$ 420,818	\$ 45,141	\$ 73,186	\$ 539,145
Pharmaceutical expenses (Note 6)	84,165	-	-	84,165
Rent/janitorial	23,307	2,444	4,054	29,805
Contract services	5,449	10,583	1,397	17,429
Special events expenses	403	-	8,504	8,907
Telephone/internet	3,873	406	674	4,953
Printing	4,150	477	2,287	6,914
Supplies	5,163	399	743	6,305
Postage	1,967	206	2,090	4,263
Membership dues	2,146	37	264	2,447
Insurance	2,925	246	407	3,578
Miscellaneous	2,241	4,432	318	6,991
Maintenance agreements	1,837	193	319	2,349
Participant transportation	1,269	-	-	1,269
Conferences	1,360	87	186	1,633
Travel	132	-	1	133
Publications	360	15	47	422
Conferences hosted	1,034	41	69	1,144
Depreciation expense	1,448	152	252	1,852
	<u>\$ 564,047</u>	<u>\$ 64,859</u>	<u>\$ 94,798</u>	<u>\$ 723,704</u>

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

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification (ASC) Topic 958-205, *Not-for-profit Entities – Presentation of Financial Statements*. Under ASC Topic 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are defined as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – Net assets subject to donor-imposed stipulation that require actions of the Organization or the passage of time. When a restriction expires as a result of the lapse of a time requirement or achievement of the specific operating purpose stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are available to be used primarily to meet program requirements. The Organization has no temporarily restricted net assets at June 30, 2017 and 2016.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations or interpretation of applicable law that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets at June 30, 2017 and 2016.

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 1 – Significant accounting policies (continued)

Donor imposed restrictions – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted net assets.

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, 2017 and 2016 was \$340 and \$550, respectively.

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.

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 1 – Nature of activities and significant accounting policies (continued)

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.

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.

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.

Reclassifications – Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications had no impact on net assets or revenues, expenses and other changes in net assets as previously reported.

Note 2 – Cash and cash equivalents

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

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 2 – Cash and cash equivalents (continued)

The Organization had the following cash and cash equivalents balances available for operations at June 30:

	2017	2016
Checking	\$ 206,452	202,735
Money market	16,844	16,836
Savings	153,817	152,349
Investment cash	1,689	24,940
Total	\$ 378,802	\$ 396,860

Note 3 – Investments

Investments consist of the following at June 30:

	2017	2016
Bond funds		
PIMCO Total Return Class D	\$ 185,737	\$ 150,456
Equity funds		
Ishares Core S&P Total US Stock Market ETF	235,504	166,819
Ishares CTR Core MSCI Total ETF	93,024	63,523
	\$ 514,265	\$ 380,798

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

	2017	2016
Realized and unrealized gains (losses), net	\$ 42,817	\$ (4,830)
Interest and dividend income	9,259	13,394
	\$ 52,076	\$ 8,564

Note 4 – 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, in effect, 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, 2017 and 2016

Note 4 – 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.

Note 5 – Property and equipment, net

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 25,431	\$ 22,332
Less accumulated depreciation	<u>(22,797)</u>	<u>(20,760)</u>
Property and equipment, net	<u>\$ 2,634</u>	<u>\$ 1,572</u>

The Organization recognized depreciation expense of \$2,037 and \$1,852 for the years ended June 30, 2017 and 2016, respectively.

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.

Note 7 – 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. There are no uninsured cash account balances at June 30, 2017 and 2016.

For the years ended June 30, 2017 and 2016, the Organization had one major source of funding that accounted for 13% and 11% of revenues, respectively.

Note 8 – 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 limitation to the plan, and the Organization matches participants' contributions up to 3% of compensation. For the years ended June 30, 2017 and 2016, contributions to the plan were \$14,382 and \$12,649, respectively.

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 9 – 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 \$76 to \$2,872. Rent expense under the office and equipment leases was approximately \$31,535 for the year ended June 30, 2017 and \$32,154 for the year ended June 30, 2016.

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
2018	\$ 31,771
2019	32,488
2020	33,463
2021	34,466
	<u>\$ 132,188</u>

Note 10 – 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 11 – 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. 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 12 – 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 3,223 and 3,306 hours in donated services during the years ended June 30, 2017 and 2016, respectively.

SENIOR PHARMASSIST, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 13 – Board designated net assets

As of June 30, 2017 and 2016, the Board of Directors designated \$682,244 and \$531,709, 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 unrestricted net assets.

Board designated net assets are based on the following at June 30:

	<u>2017</u>	<u>2016</u>
Investments	\$ 514,265	\$ 380,798
Beneficial interest in assets held by others	<u>167,979</u>	<u>150,911</u>
	<u>\$ 682,244</u>	<u>\$ 531,709</u>

Note 14 – Subsequent events

The Organization has evaluated subsequent events occurring after June 30, 2017 through September 5, 2017, which is the date the financial statements were available to be issued.



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

We have audited the financial statements of Senior PharmAssist, Inc. (the "Organization") for the year ended June 30, 2017, and have issued our report thereon dated September 5, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 8, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Corrected misstatements – audit adjustments

Professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated).

There was one audit adjustment, which was requested by management, to the trial balance provided to us to begin our audit.

Uncorrected misstatements – passed audit adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There were no uncorrected misstatements (passed audit adjustments) for the year ended June 30, 2017.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 5, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to Senior PharmAssist, Inc.

* * * * *

This information is intended solely for the use of the Board of Directors of Senior PharmAssist, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

James S. Gilbo CA, PLLC

Durham, North Carolina
September 5, 2017



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and Consultants

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

In planning and performing our audit of the financial statements of Senior PharmAssist, Inc. (the "Organization") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, audit committee, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Thomas & Gibbs CPAs, PLLC

Durham, North Carolina
September 5, 2017