

**SENIOR PHARMASSIST, INC.**  
Durham, North Carolina

**Audited Financial Statements**

Years Ended June 30, 2018 and 2017

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

SENIOR PHARMASSIST, INC.  
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Years Ended June 30, 2018 and 2017

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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, 2018 and 2017, and the related statements of revenues, expenses and other changes in net assets, and the statement 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, 2018 and 2017, 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 & Gilbo CPA, PLLC*

Durham, North Carolina  
September 5, 2018

SENIOR PHARMASSIST, INC.  
**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS**  
**Modified Cash Basis**  
June 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 3)	\$ 488,104	\$ 378,802
Investments (note 4)	770,118	514,265
Beneficial interest in assets held by others	175,818	167,979
Sales tax receivable	597	2,171
Deposits	1,876	1,876
Total current assets	1,436,513	1,065,093
Property and equipment, net (note 6)	5,389	2,634
Total non current assets	5,389	2,634
Total assets	<u>\$ 1,441,902</u>	<u>\$ 1,067,727</u>
<b>Liabilities and net assets</b>		
Current liabilities		
Payroll liabilities	\$ 43	\$ 284
Total current liabilities/total liabilities	43	284
Net assets		
Undesignated	495,923	385,199
Board designated (note 14)	945,936	682,244
Total unrestricted net assets	1,441,859	1,067,443
Total liabilities and net assets	<u>\$ 1,441,902</u>	<u>\$ 1,067,727</u>

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, 2018 and 2017

	2018	2017
<b>Unrestricted revenues and gains (losses)</b>		
Government contracts	\$ 266,989	\$ 130,781
Foundations	237,631	169,777
Individuals	257,496	232,184
Corporations and businesses	72,741	98,131
Special events	38,914	54,438
Stewardship contributions	137,342	1,700
Civic groups	25,879	32,200
Workplace campaigns	23,605	22,432
Program revenue	90,287	83,444
Return on investments	45,479	52,076
Return on beneficial interest in assets held by others	9,589	18,655
Interest income	2,174	1,571
Miscellaneous income	498	222
Total unrestricted revenues and gains	<u>1,208,624</u>	<u>897,611</u>
<b>Expenses</b>		
Program services	677,178	596,194
Management and general	59,446	69,561
Fundraising	97,584	96,082
Total expenses	<u>834,208</u>	<u>761,836</u>
Change in unrestricted net assets	374,416	135,775
Unrestricted net assets, beginning of year	<u>1,067,443</u>	<u>931,668</u>
Unrestricted net assets, end of year	<u>\$ 1,441,859</u>	<u>\$ 1,067,443</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 7)	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
Investment expense	-	1,750	-	1,750
Depreciation expense	716	58	100	874
	<u>\$ 677,178</u>	<u>\$ 59,446</u>	<u>\$ 97,584</u>	<u>\$ 834,208</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, 2017

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and related expenses	\$ 438,309	\$ 46,924	\$ 75,179	\$ 560,412
Pharmaceutical expenses (note 7)	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 Depreciation expense	-	4,664	-	4,664
	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.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**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, 2018 and 2017.

**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, 2018 and 2017.

SENIOR PHARMASSIST, INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**Note 2 – 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.

**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.

SENIOR PHARMASSIST, INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**Note 2 – Significant accounting policies (continued)**

**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, 2018 and 2017 was \$465 and \$340, 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.

**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.

**Pending accounting pronouncements** – In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-profit Entities*, which simplifies and improves how a nonprofit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016- 14 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its financial statements.

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.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization is does not expect this standard to result in any changes to its modified cash basis financial statements.

SENIOR PHARMASSIST, INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**Note 3 – 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 available for operations at June 30:

	<u>2018</u>	<u>2017</u>
Checking	\$ 313,621	\$ 206,452
Money market	16,853	16,844
Savings	155,871	153,817
Investment cash	<u>1,760</u>	<u>1,689</u>
Total	<u>\$ 488,104</u>	<u>\$ 378,802</u>

**Note 4 – Investments**

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

	<u>2018</u>	<u>2017</u>
Bond funds		
PIMCO Total Return Class D	\$ 265,815	\$ 185,737
Equity funds		
Ishares Core S&P Total US Stock Market ETF	366,481	235,504
Ishares CTR Core MSCI Total ETF	<u>137,822</u>	<u>93,024</u>
	<u>\$ 770,118</u>	<u>\$ 514,265</u>

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

	<u>2018</u>	<u>2017</u>
Realized and unrealized gains (losses), net	\$ 31,808	\$ 42,817
Interest and dividend income	<u>13,671</u>	<u>9,259</u>
	<u>\$ 45,479</u>	<u>\$ 52,076</u>

**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”). 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, 2018 and 2017

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**Note 5 – 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 6 – Property and equipment, net**

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 29,059	\$ 25,431
Less accumulated depreciation	<u>(23,670)</u>	<u>(22,797)</u>
Property and equipment, net	<u>\$ 5,389</u>	<u>\$ 2,634</u>

The Organization recognized depreciation expense of \$874 and \$2,037 for the years ended June 30, 2018 and 2017, respectively.

**Note 7 – 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 8 – 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, 2018 and 2017 of \$70,000 and \$0, respectively.

For the years ended June 30, 2018 and 2017, the Organization had one major source of funding that accounted for 9% and 13% of revenues, respectively.

**Note 9 – 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, 2018 and 2017, contributions to the plan were \$14,842 and \$14,382, respectively.

**Note 10 – 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 \$32,745 and \$31,535 for the years ended June 30, 2018 and 2017, respectively.

SENIOR PHARMASSIST, INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**Note 10 – 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
2019	\$ 33,835
2020	34,810
2021	35,813
2022	1,347
2023	224
	<u>\$ 104,458</u>

**Note 11 – 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 12 – 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 13 – 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 3,320 and 3,223 hours in donated services during the years ended June 30, 2018 and 2017, respectively.

**Note 14 – Board designated net assets**

As of June 30, 2018 and 2017, the Board of Directors designated \$945,936 and \$682,244, 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.

SENIOR PHARMASSIST, INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**Note 14 – Board designated net assets (continued)**

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

	<u>2018</u>	<u>2017</u>
Investments	\$ 770,118	\$ 514,265
Beneficial interest in assets held by others	<u>175,818</u>	<u>167,979</u>
	<u>\$ 945,936</u>	<u>\$ 682,244</u>

**Note 15 – Subsequent events**

The Organization has evaluated subsequent events occurring after June 30, 2018 through September 5, 2018, which is the date the financial statements were available to be issued.