

FEARRINGTON CARES
FINANCIAL STATEMENTS
PITTSBORO, NORTH CAROLINA
YEARS ENDED DECEMBER 31, 2018 AND 2017

FEARRINGTON CARES
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Board of Directors
Farrington Cares
Pittsboro, North Carolina

We have reviewed the accompanying statements of Farrington Cares (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Petway Mills & Pearson, PA

Memberships:

North Carolina
Association of
Certified Public
Accountants

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

June 29, 2019

American Institute
of Certified Public
Accountants

FEARRINGTON CARES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 77,710	\$ 264,734
Investments, at cost	514,610	266,580
Unrealized gains on investments	13,538	74,216
Grant receivable	100,000	-
Sales tax recovery receivable	5	8
Prepaid expenses	7,685	7,969
Total current assets	<u>713,548</u>	<u>613,507</u>
PROPERTY AND EQUIPMENT - NET	<u>130,680</u>	<u>81,556</u>
TOTAL ASSETS	<u><u>\$ 844,228</u></u>	<u><u>\$ 695,063</u></u>
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,462	\$ 208
SunTrust credit card	1,361	2,066
Total current liabilities	<u>3,823</u>	<u>2,274</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	303,595	165,279
Designated by Board for facilities	390,612	369,767
AOCI	13,538	74,216
Invested in property and equipment, net of related debt	130,689	81,556
With donor restrictions		
Purpose restrictions	1,971	1,971
Total net assets	<u>840,405</u>	<u>692,789</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 844,228</u></u>	<u><u>\$ 695,063</u></u>

See Independent Accountants' Review Report and Accompanying Notes.

**FEARRINGTON CARES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions - cash	\$ 126,581	\$ -	\$ 126,581
Realized Gain on investments	65,193	-	65,193
Interest	7,234	-	7,234
Memorials	1,735	-	1,735
Dividend	2,408	-	2,408
Grants	50,000	100,000	150,000
Miscellaneous	6,705	-	6,705
TOTAL REVENUE AND SUPPORT	259,856	100,000	359,856
NET ASSETS RELEASED FROM RESTRICTION	100,000	(100,000)	-
EXPENSES:			
Program services	119,137	-	119,137
Management and general	25,051	-	25,051
Fundraising	7,372	-	7,372
TOTAL EXPENSES	151,559	-	151,559
INCREASE IN NET ASSETS	208,297	-	208,297
UNREALIZED GAIN (LOSS) ON INVESTMENTS	(60,681)	-	(60,681)
NET ASSETS - BEGINNING OF YEAR	690,818	1,971	692,789
NET ASSETS - END OF YEAR	\$ 838,434	\$ 1,971	\$ 840,405

See Independent Accountants' Review Report and Accompanying Notes.

**FEARRINGTON CARES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	2018	2017
CASH FLOWS - OPERATING ACTIVITIES:		
Increase in net assets	\$ 208,297	\$ 25,175
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,180	4,198
Realized gain/loss on investments	(65,193)	-
Unrealized gain/loss on investments	60,681	-
(Increase) decrease in:		
Grants receivable	(100,000)	34,600
Accounts receivable	3	52
Prepaid expenses	284	128
Inventory	-	-
Increase (decrease) in:		
Sun Trust credit card	(705)	1,254
Accounts payable	2,254	(280)
Sales Tax payable	-	-
Deferred revenue	-	(34,600)
Net cash provided by operating activities	109,801	30,527
CASH FLOWS - INVESTING ACTIVITIES		
Purchase of investments	(243,521)	(5,761)
Purchase of property and equipment	(53,304)	-
Net cash used in investing activities	(296,825)	(5,761)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(187,024)	24,766
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	264,734	239,968
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 77,710	\$ 264,734

See Independent Accountants' Review Report and Accompanying Notes.

**FEARRINGTON CARES
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

EXPENSES:	Program Services	Management and General	Fundraising	Total
Outside Nursing Services	\$ 1,653	\$ -	\$ -	\$ 1,653
Salary, Wages, and Payroll Expenses	75,075	19,500	2,925	97,500
Programs	19,558	-	-	19,558
Depreciation	3,219	836	125	4,180
Insurance	6,614	1,718	258	8,590
Professional Services	3,447	895	134	4,477
Telephone	1,750	455	68	2,273
Miscellaneous	909	236	35	1,180
Utilities	1,274	331	50	1,654
Fundraising	-	-	3,614	3,614
Office Supplies	561	146	22	729
Computer Expenses, Postage	2,238	581	87	2,907
Cleaning & Maintenance	1,358	353	53	1,763
Volunteer	1,025	-	-	1,025
Gifts	456	-	-	456
TOTAL EXPENSES	\$ 119,137	\$ 25,051	\$ 7,372	\$ 151,559

See Independent Accountants' Review Report and Accompanying Notes.

FEARRINGTON CARES
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

EXPENSES:	Program Services	Management and General	Fundraising	Total
Outside Nursing Services	\$ 4,035	\$ -	\$ -	\$ 4,035
Salaries and Wages	76,802	16,969	2,571	96,342
Programs	20,520	-	-	20,520
Depreciation	3,355	709	134	4,198
Insurance	7,710	1,630	305	9,645
Professional Services	3,618	765	143	4,526
Telephone	1,783	377	71	2,231
Miscellaneous	1,852	392	73	2,317
Utilities	1,304	276	52	1,632
Fundraising	-	-	3,263	3,263
Office Supplies	1,119	236	44	1,399
Computer Expenses, Postage	1,819	384	72	2,275
Cleaning & Maintenance	1,751	370	70	2,191
Volunteer	874	-	-	874
Gifts	400	-	-	400
TOTAL EXPENSES	\$ 126,942	\$ 22,108	\$ 6,798	\$ 155,848

See Independent Accountants' Review Report and Accompanying Notes.

**FEARRINGTON CARES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	2018	2017
CASH FLOWS - OPERATING ACTIVITIES:		
Increase in net assets	\$ 208,294	\$ 25,175
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,180	4,198
Realized gain/loss on investments	(58,074)	-
Unrealized gain/loss on investments	60,678	-
(Increase) decrease in:		
Grants receivable	(100,000)	34,600
Accounts receivable	3	52
Prepaid expenses	284	128
Inventory	-	-
Increase (decrease) in:		
Sun Trust credit card	(705)	1,254
Accounts payable	2,254	(280)
Sales Tax payable	-	-
Deferred revenue	-	(34,600)
Net cash provided by operating activities	116,914	30,527
 CASH FLOWS - INVESTING ACTIVITIES		
Purchase of investments	(250,634)	(5,761)
Purchase of property and equipment	(53,304)	-
Net cash used in investing activities	(303,938)	(5,761)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(187,024)	24,766
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	264,734	239,968
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 77,710	\$ 264,734

See Independent Accountants' Review Report and Accompanying Notes.

**FEARRINGTON CARES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 – NATURE OF THE ORGANIZATION

Fearrington Cares (the Organization) is a nonprofit organization as outlined under Chapter 55A of the General Statutes of North Carolina. The Organization provides health care clinics and advisory services for residents of the Fearrington Community. The Organization is located in Pittsboro, North Carolina. Activities are primarily funded through contributions of individuals in the community and grants made by a local foundation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

For reporting purposes, the financial statements of the Organization include all funds which are under the control of the Board of Directors.

Basis of Accounting

The financial statements for the Organization have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Basis of Presentation

The Organization's financial presentation follows the provisions of the Financial Accounting Standards Board ASC 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets With Donor Restrictions** – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization had \$1,971 of net assets with donor restrictions at December 31, 2018 and 2017, respectively.
- **Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Organization had \$838,434 and \$690,818 of net assets without donor restrictions at December 31, 2018 and December 31, 2017, respectively.

See Independent Accountants' Review Report

**FEARRINGTON CARES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Change in estimates are recognized in the period in which they are determined.

Accounts Receivable

Accounts receivable is shown at its net realizable value. Bad debts are reported using the specific charge-off method and are recognized when the account's collection becomes doubtful. An allowance for doubtful accounts has not been established inasmuch as management believes that uncollectible or disputed amounts are insignificant.

Contributions

The Organization accounts for contributions received as either with donor restrictions or without donor restrictions depending on the existence or nature of any donor imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, such as a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities.

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment are recorded at cost on the date of acquisition or at fair value on the date of donation. Maintenance and repairs are expensed as incurred. Property that is retired or sold and the related accumulated depreciation is removed from the accounts and gain or loss on disposition, if any, is reflected in the statement of activities. Depreciation is computed using the straight line method over the estimated useful life of the respective assets. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$500. Rates of depreciation are based on estimated useful lives of the assets as follows:

Building	39 Years
Office Equipment	7 Years

Donated Services

Volunteers and members of the community perform various services for the Organization, and these services are significant and form an integral part of the efforts of the Organization. The Organization does not control the activities of the volunteers as it would paid employees, and there is not a clearly measurable basis for an amount of continued services to be recorded. Therefore, the Organization does not record the amount of volunteer services rendered as a contribution or a corresponding amount as an expense.

See Independent Accountants' Review Report

**FEARRINGTON CARES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

Income Tax

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and the applicable State statutes. The Internal Revenue Service has determined that Fearington Cares is a publicly supported organization; however, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization recognizes an uncertainty tax position of "more than likely not" level of fifty percent that the position will be sustained by the Internal Revenue Service (IRS). Income taxes did not have a material impact on the financial position or results of operations of the Organization as of and for the year ended December 31, 2018. Income tax returns from 2016 through 2018 are open for examination by taxing authorities.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

NOTE 3 – INVENTORY

Inventories are reported at lower of cost or market value.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Building	\$ 107,715	\$ 107,715
Office Equipment	32,119	32,119
Construction In Progress	53,304	-
	<u>193,138</u>	<u>139,834</u>
Less Accumulated Depreciation	(62,458)	(58,278)
Property and Equipment, net	<u>\$ 130,680</u>	<u>\$ 81,556</u>

Depreciation expense for the years ended December 31, 2018 and 2017 were \$4,180 and \$4,198, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization received funds restricted for certain purposes. Net assets with donor restrictions as of December 31, 2018 and 2017 consisted of the following:

	2018	2017
Emergency preparedness	\$ -	\$ -
Quilt sale proceeds for support groups	1,971	1,971
	<u>\$ 1,971</u>	<u>\$ 1,971</u>

See Independent Accountants' Review Report

**FEARRINGTON CARES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 – RESTRICTED REVENUES

The Organization received restricted funds during the year. The funds are reported as unrestricted support if the restrictions are met in the reporting period.

NOTE 7 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the years ended December 31, 2018 and 2017, the Organization carried insurance through various commercial carriers to cover all risks of losses. The Organization has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 8 – OPERATING LEASE

The Organization entered into an operating lease for facility use that expires October 6, 2103. The lease requires annual payments of \$1. The Organization is obligated to pay \$1 in 2018.

NOTE 9 – LICENSE TO SOLICIT

The Organization has obtained from the North Carolina Department of the Secretary of State a license to solicit charitable contributions. The ability to solicit contributions is contingent on the renewal of this license, which was renewed on May 15, 2018.

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date the report is available to be issued which is the date of the independent accountants' review report. The Organization has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

NOTE 11 – RELATED PARTIES

There were no related party transactions for the years ended December 31, 2018 and 2017.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances in one financial institution. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2018 and 2017, the Organization's cash balances at the institution has not exceeded the federally insured limit.

See Independent Accountants' Review Report

**FEARRINGTON CARES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 13 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 77,710
Less donor restricted cash	(1,971)
Receivables	5
Investments	528,148
Less board designated funds	<u>(464,779)</u>
	<u>\$ 139,113</u>

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

See Independent Accountants' Review Report