

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

Financial Statements, Supplementary Information, Compliance Report
and Independent Auditors' Report
For the Years Ended September 30, 2018 and 2017

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

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SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

Executive Committee and Board of Trustees
September 30, 2018

Executive Committee

Rod Willcox, Chairman
Gerry Knox, Vice Chairman
Lisa Buff, Treasurer
Joseph Delk, Secretary
Josh Dobson
Brink Isaacs
David Rust
Susan McCracken
Mike Tanner

Board of Trustees

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Ola Mae Caldwell
Frank Dean
Michelle Elliott
Robert Hunter
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Rebecca McLeod
J.T. Scruggs
Dale Winn
Jack Isaacs, Emeritus

Executive Director

W. Chris Jernigan

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Certified Public Accountants

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Independent Auditors' Report

To the Board of Directors of
Southmountain Children and Family Services

Report on the Financial Statements

We have audited the accompanying financial statements of Southmountain Children and Family Services (a nonprofit organization), which comprise the statements of financial position as of September 30, 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.

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.

Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 the 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 financial position of Southmountain Children and Family Services as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Activities - (NON-GAAP) are presented for purposes of additional analysis and are 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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2019, on our consideration of Southmountain Children and Family Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southmountain Children and Family Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southmountain Children and Family Services' internal control over financial reporting and compliance.

Low Smith Church & Co., L.L.C.

Morganton, North Carolina
February 19, 2019

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

**Statements of Financial Position
September 30, 2018 and 2017**

	<u>Notes</u>	2018		<u>Total</u>
		<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	1	\$ 1,740,278	\$ 4,556	\$1,744,834
Short term equivalents		106,017	-	106,017
Accounts receivable	1, 2	789,453	-	789,453
Security deposits		5,750	-	5,750
Prepaid expense		3,300	-	3,300
Total current assets		2,644,798	4,556	2,649,354
Property, plant and equipment:				
Property, plant and equipment - net	1, 3	2,214,291	-	2,214,291
Noncurrent assets:				
Investments	4	125,462	-	125,462
Total assets		<u>\$ 4,984,550</u>	<u>\$ 4,556</u>	<u>\$4,989,106</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable		\$ 12,963	\$ -	\$ 12,963
Accrued expenses		84,161	-	84,161
Note payable - current		3,606	-	3,606
Total current liabilities		100,730	-	100,730
Long-term Liabilities:				
Note payable		17,085	-	17,085
Total liabilities		117,815	-	117,815
Net assets:				
Unrestricted		4,866,735	-	4,866,735
Temporarily restricted		-	4,556	4,556
Total net assets		4,866,735	4,556	4,871,291
Total liabilities and net assets		<u>\$ 4,984,550</u>	<u>\$ 4,556</u>	<u>\$4,989,106</u>

See accompanying notes to financial statements.

2017		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 1,757,575	\$ 4,556	\$1,762,131
104,956	-	104,956
533,159	-	533,159
1,950	-	1,950
375	-	375
<u>2,398,015</u>	<u>4,556</u>	<u>2,402,571</u>
2,314,327	-	2,314,327
<u>34,975</u>	<u>-</u>	<u>34,975</u>
<u>\$ 4,747,318</u>	<u>\$ 4,556</u>	<u>\$4,751,874</u>
\$ 18,890	\$ -	\$ 18,890
100,151	-	100,151
3,606	-	3,606
<u>122,647</u>	<u>-</u>	<u>122,647</u>
21,023	-	21,023
<u>143,670</u>	<u>-</u>	<u>143,670</u>
4,603,648	-	4,603,648
-	4,556	4,556
<u>4,603,648</u>	<u>4,556</u>	<u>4,608,204</u>
<u>\$ 4,747,318</u>	<u>\$ 4,556</u>	<u>\$4,751,874</u>

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

Statements of Activities
For the Years Ended September 30, 2018 and 2017

	2018		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support:			
Local funds:			
United Way	\$ 4,830	\$ -	\$ 4,830
Department of Social Services	2,440,047	-	2,440,047
Private insurance	30,739	-	30,739
Religious organizations	9,668	-	9,668
Civic and fraternal organizations	4,464	-	4,464
Trusts, foundations and non-government grants	101,335	-	101,335
Corporations and individuals	142,083	-	142,083
Special events - net	13,746	-	13,746
Thrift store revenue	11,666	-	11,666
Training revenue	6,036	-	6,036
Total local funds	<u>2,764,615</u>	<u>-</u>	<u>2,764,615</u>
State and federal funds:			
Child medical evaluation program	26,847	-	26,847
Crime victims compensation commission	2,241	-	2,241
Governor's crime commission grant	789,149	-	789,149
State funds	221,153	-	221,153
Children's Advocacy Centers for NC	30,958	-	30,958
Medicaid	549,908	-	549,908
Title I	39,572	-	39,572
Total state and federal funds	<u>1,659,828</u>	<u>-</u>	<u>1,659,828</u>
Net assets released from restrictions:			
Satisfaction of program transactions	<u>-</u>	<u>-</u>	<u>-</u>
Total public support	<u>4,424,443</u>	<u>-</u>	<u>4,424,443</u>
Expenses:			
Program services	3,585,147	-	3,585,147
Supporting services	702,508	-	702,508
Total expenses	<u>4,287,655</u>	<u>-</u>	<u>4,287,655</u>
Operating income (loss)	<u>136,788</u>	<u>-</u>	<u>136,788</u>

2017		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 6,715	\$ -	\$ 6,715
2,476,085	-	2,476,085
33,864	-	33,864
9,471	-	9,471
3,890	-	3,890
181,570	-	181,570
159,788	14,625	174,413
8,804	-	8,804
9,874	-	9,874
-	-	-
<u>2,890,060</u>	<u>14,625</u>	<u>2,904,685</u>
20,553	-	20,553
10,492	-	10,492
547,908	-	547,908
116,392	-	116,392
30,210	-	30,210
516,137	-	516,137
49,159	-	49,159
<u>1,290,850</u>	<u>-</u>	<u>1,290,850</u>
<u>14,892</u>	<u>(14,892)</u>	<u>-</u>
<u>4,195,803</u>	<u>(267)</u>	<u>4,195,535</u>
3,248,634	-	3,248,634
747,468	-	747,468
<u>3,996,104</u>	<u>-</u>	<u>3,996,104</u>
<u>199,698</u>	<u>(267)</u>	<u>199,430</u>

cont.

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

**Statements of Activities
For the Years Ended September 30, 2018 and 2017**

Other Revenues and (Expenses):	2018		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Miscellaneous	\$ 11,605	\$ -	\$ 11,605
Rent and lease	50,039	-	50,039
Utility reimbursements	26,743	-	26,743
Gain (loss) on disposal of assets and/or sale of stock	(1,750)	-	(1,750)
Unrealized gain (loss) on investments	16,418	-	16,418
Interest and dividend income	23,244	-	23,244
Total other revenues and (expenses)	<u>126,299</u>	<u>-</u>	<u>126,299</u>
Change in net assets	263,087	-	263,087
Net assets, beginning of year	<u>4,603,648</u>	<u>4,556</u>	<u>4,608,204</u>
Net assets, end of year	<u><u>\$ 4,866,735</u></u>	<u><u>\$ 4,556</u></u>	<u><u>\$ 4,871,291</u></u>

See accompanying notes to financial statements.

2017		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 8,269	\$ -	\$ 8,269
56,310	-	56,310
25,924	-	25,924
-	-	-
1,986	-	1,986
19,975	-	19,975
<u>112,463</u>	<u>-</u>	<u>112,463</u>
312,162	(267)	311,895
<u>4,291,485</u>	<u>4,823</u>	<u>4,296,308</u>
<u>\$ 4,603,648</u>	<u>\$ 4,556</u>	<u>\$ 4,608,204</u>

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

Statements of Cash Flows For the Years Ended September 30, 2018 and 2017

	2018		
	Unrestricted	Temporarily Restricted	Total
Cash Flows From Operating Activities:			
Funds received	\$ 4,176,692	\$ -	\$ 4,176,692
Interest received	20,748	-	20,748
Interest expense	(972)	-	(972)
Operating expenses	<u>(4,166,531)</u>	-	<u>(4,166,531)</u>
Net cash provided (used) by operating activities	<u>29,937</u>	-	<u>29,937</u>
Cash Flows From Investing Activities:			
Interest on investments	2,496	-	2,496
(Purchases) sales of short-term investments	(1,061)	-	(1,061)
(Purchases) Proceeds from sale of stocks	1,977	-	1,977
Proceeds from sale of fixed assets	500	-	500
Purchase of fixed assets	<u>(47,208)</u>	-	<u>(47,208)</u>
Net cash provided (used) by investing activities	<u>(43,296)</u>	-	<u>(43,296)</u>
Cash Flows From Financing Activities:			
Proceeds from borrowing	-	-	-
Payments on long-term debt	<u>(3,938)</u>	-	<u>(3,938)</u>
Net cash provided (used) by financing activities	<u>(3,938)</u>	-	<u>(3,938)</u>
Net increase (decrease) in cash and cash equivalents	(17,297)	-	(17,297)
Beginning cash and cash equivalents	<u>1,757,575</u>	<u>4,556</u>	<u>1,762,131</u>
Ending cash and cash equivalents	<u>\$ 1,740,278</u>	<u>\$ 4,556</u>	<u>\$ 1,744,834</u>
Reconciliation of Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:			
Changes in net assets	<u>\$ 263,087</u>	<u>\$ -</u>	<u>\$ 263,087</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	144,994	-	144,994
Donation of stocks and/or fixed assets	(76,045)	-	(76,045)
(Gain) loss on disposal of assets	1,750	-	1,750
Interest on investments	(2,496)	-	(2,496)
Unrealized (gain) loss on investments	(16,418)	-	(16,418)
(Increase) decrease in operating assets:			
Accounts receivable	(256,294)	-	(256,294)
Security deposits	(3,800)	-	(3,800)
Prepaid expense	(2,925)	-	(2,925)
Increase (decrease) in operating liabilities:			
Accounts payable	(5,926)	-	(5,926)
Accrued payroll	-	-	-
Accrued expenses	<u>(15,990)</u>	-	<u>(15,990)</u>
Total	<u>(233,150)</u>	-	<u>(233,150)</u>
Net cash provided (used) by operating activities	<u>\$ 29,937</u>	<u>\$ -</u>	<u>\$ 29,937</u>
Schedule of Noncash Investing Activities:			
Net change in unrealized securities available for sale	<u>\$ 16,418</u>	<u>\$ -</u>	<u>\$ 16,418</u>
Donation of stocks and/or fixed assets	<u>\$ 76,045</u>	<u>\$ -</u>	<u>\$ 76,045</u>

See accompanying notes to financial statements.

2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 4,161,901	\$ -	\$ 4,161,901
18,980	-	18,980
(116)	-	(116)
<u>(3,765,181)</u>	<u>(267)</u>	<u>(3,765,448)</u>
<u>415,584</u>	<u>(267)</u>	<u>415,317</u>
995	-	995
(1,041)	-	(1,041)
-	-	-
-	-	-
<u>(29,026)</u>	<u>-</u>	<u>(29,026)</u>
<u>(29,072)</u>	<u>-</u>	<u>(29,072)</u>
24,922	-	24,922
(293)	-	(293)
<u>24,629</u>	<u>-</u>	<u>24,629</u>
411,141	(267)	410,874
<u>1,346,434</u>	<u>4,823</u>	<u>1,351,257</u>
<u>\$ 1,757,575</u>	<u>\$ 4,556</u>	<u>\$ 1,762,131</u>
\$ 312,162	\$ (267)	\$ 311,895
141,714	-	141,714
-	-	-
-	-	-
(995)	-	(995)
(1,986)	-	(1,986)
(124,136)	-	(124,136)
-	-	-
(375)	-	(375)
(2,287)	-	(2,287)
98,987	-	98,987
(7,500)	-	(7,500)
<u>103,422</u>	<u>-</u>	<u>103,422</u>
<u>\$ 415,584</u>	<u>\$ (267)</u>	<u>\$ 415,317</u>
<u>\$ 1,986</u>	<u>\$ -</u>	<u>\$ 1,986</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH MOUNTAIN CHILDREN AND FAMILY SERVICES

**Statements of Functional Expenses
For the Years Ended September 30, 2018 and 2017**

	2018						
	Program Services			Supporting Services			
	Residential Foster Care	Child Advocacy Center	Evidence Based Therapy	Program Support	Total Program Services	General and Administration	Total
Expenses:							
Salaries	\$1,079,606	\$ 528,473	\$ 461,950	\$ 107,184	\$2,177,213	\$ 456,376	\$2,633,589
Payroll taxes and benefits	248,632	118,055	115,434	35,765	517,886	104,183	622,069
Total salaries and related expenses	1,328,238	646,528	577,384	142,949	2,695,099	560,559	3,255,658
Supplies	3,168	16,263	5,270	688	25,389	5,584	30,973
Occupancy	118,030	136,574	21,205	86,126	361,935	41,235	403,170
Postage and printing	3	405	10	-	418	1,333	1,751
Insurance and bonding	17,401	6,458	3,793	13,551	41,203	10,810	52,013
Development	-	14,619	-	-	14,619	2,888	17,507
Food services	13,350	6,395	691	-	20,436	6,643	27,079
Staff development	17,605	37,966	8,289	-	63,860	14,101	77,961
Transportation	16,199	15,448	12,016	-	43,663	23,660	67,323
Dues and subscriptions	860	6,044	400	-	7,304	6,263	13,567
Licenses and accreditations	-	6,000	-	-	6,000	200	6,200
Staff recruiting	879	212	115	-	1,206	75	1,281
Professional fees	-	-	-	-	-	13,004	13,004
Equipment purchase/lease/maintenance	3,416	5,013	3,697	-	12,126	1,399	13,525
Client specific expenses	19,507	9,541	-	-	29,048	-	29,048
Contracted services	40,070	8,309	9,460	-	57,839	-	57,839
Recreation	33,924	-	-	-	33,924	-	33,924
Data processing	4,235	2,456	14,325	-	21,016	372	21,388
Miscellaneous	6,493	1,624	244	-	8,361	11,089	19,450
Total expenses before depreciation	1,623,378	919,855	656,899	243,314	3,443,446	699,215	4,142,661
Depreciation	116,847	11,789	-	13,065	141,701	3,293	144,994
Total expenses	\$1,740,225	\$ 931,644	\$ 656,899	\$ 256,379	\$3,585,147	\$ 702,508	\$4,287,655

See accompanying notes to financial statements.

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

**Statements of Functional Expenses
For the Years Ended September 30, 2018 and 2017**

	2017						
	Program Services			Supporting Services			
	Residential Foster Care	Child Advocacy Center	Evidence Based Therapy	Program Support	Total Program Services	General and Administration	Total
Expenses:							
Salaries	\$1,107,813	\$ 264,061	\$ 435,939	\$ 108,419	\$1,916,232	\$ 450,041	\$2,366,273
Payroll taxes and benefits	250,151	62,105	107,723	39,219	459,198	110,572	569,770
Total salaries and related expenses	1,357,964	326,166	543,662	147,638	2,375,430	560,613	2,936,043
Supplies	6,006	14,582	4,174	947	25,709	8,513	34,222
Occupancy	189,347	74,008	31,870	111,035	406,260	48,977	455,237
Postage and printing	15	404	75	-	494	1,289	1,783
Insurance and bonding	20,343	3,704	1,791	15,249	41,087	8,569	49,656
Development	-	-	-	-	-	-	-
Food services	14,141	2,505	527	-	17,173	37,346	37,346
Staff development	778	-	-	-	778	-	778
Transportation	20,335	9,267	15,293	1,363	46,258	20,259	66,517
Dues and subscriptions	30	7,349	-	-	7,379	8,969	16,348
Licenses and accreditations	-	-	-	-	-	4,602	4,602
Staff recruiting	8,124	12,100	7,039	114	27,377	11,099	38,476
Professional fees	-	-	-	-	-	14,146	14,146
Equipment purchase/lease/maintenance	1,390	635	903	360	3,288	1,947	5,235
Residents' needs	26,362	-	-	-	26,362	-	26,362
Contracted services	48,687	-	11,232	-	59,919	-	59,919
Recreation	35,089	-	-	-	35,089	-	35,089
Data processing	16,325	1,150	12,544	-	30,019	324	30,343
Miscellaneous	2,931	4,427	442	160	7,960	10,694	18,654
Total expenses before depreciation	1,747,868	456,297	629,552	276,866	3,110,582	743,806	3,854,389
Depreciation	114,235	11,645	-	12,172	138,052	3,662	141,714
Total expenses	<u>\$1,862,103</u>	<u>\$ 467,942</u>	<u>\$ 629,552</u>	<u>\$ 289,038</u>	<u>\$3,248,634</u>	<u>\$ 747,468</u>	<u>\$3,996,104</u>

See accompanying notes to financial statements.

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

Notes to the Financial Statements For the Years Ended September 30, 2018 and 2017

1. General Information and Summary of Significant Accounting Policies

Organization - Southmountain Children and Family Services (the Organization) provides residential foster care and related services in a one-of-a-kind, private neighborhood setting. The agency offers a continuum of services for abused, neglected, and dependent children who need placement outside his/her own home.

The agency also provides evidence based services for child abuse victims and their families.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recognized in the accounting period in which they are earned regardless of when they are actually received. Expenses are recognized in the accounting period in which a liability is incurred regardless of when the expense is actually paid.

Basis of Presentation - The Organization reports in compliance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities: Presentation of Financial Statements. Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization, and changes therein, are classified and reported as follows:

Unrestricted Net Assets

Funds which are available for current operation.

Temporarily Restricted

Temporarily restricted net assets are comprised of restricted contributions received by a support organization. When donor restrictions expire, that is, when a stipulated time restriction ends, or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if the restriction expires during the same accounting period in which the gift was received, the contribution is reported as an increase in unrestricted net assets.

Restricted and Unrestricted Support and Revenue - Revenues received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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 reported in the Statement of Activities as net assets released from restrictions.

Promises to Give - Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises become unconditional.

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 financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Property, Plant and Equipment - The Organization capitalizes all expenditures for property, plant and equipment in excess of \$1,000. The purchase or construction of property, plant and equipment is reported at cost or estimated historical cost; and, the cost is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method for financial reporting purposes and for income tax purposes.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property, plant and equipment are sold, or otherwise disposed of, the net asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

The useful lives of property, plant and equipment for purposes of computing depreciation are:

Buildings	40 years
Equipment, furniture and fixtures	5-10 years
Leasehold improvements	10-15 years

Accounts Receivable - Uncollectible accounts are recognized using the direct write-off method. The Organization does not normally incur bad debts.

Income Taxes - The Organization is exempt from federal and State income taxes under Internal Revenue Code Section 501(c)(3).

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Credit Risk - At September 30, 2018 and 2017, the Organization had deposits that exceeded the federal deposit insurance limit by \$1,615,556 and \$1,619,154, respectively.

Reclassifications

Certain accounts included in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Net assets and changes in net assets of the Organization previously represented for 2017 were not affected by the reclassifications.

2. Accounts Receivable

Accounts receivable represent funds due from various North Carolina Departments of Social Services and the State of North Carolina. The accounts receivable are summarized as follows:

	<u>2018</u>	<u>2017</u>
County Departments of Social Services	\$180,412	\$207,720
State and federal agencies	484,594	247,163
Other	<u>124,447</u>	<u>78,276</u>
Total	<u>\$789,453</u>	<u>\$533,159</u>

3. Property, Plant and Equipment

Property, plant and equipment is summarized as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 95,712	\$ 95,712
Land improvements	92,565	60,565
Buildings	4,533,699	4,533,699
Equipment	355,883	340,675
Vehicles	<u>33,722</u>	<u>38,722</u>
Total	5,111,581	5,069,373
Less accumulated depreciation	<u>(2,897,290)</u>	<u>(2,755,046)</u>
Property, plant and equipment - net	<u>\$ 2,214,291</u>	<u>\$ 2,314,327</u>

Depreciation expense was \$144,994 and \$141,714 for the fiscal year ended September 30, 2018 and 2017, respectively.

4. Investments

The following is a summary of the Organization's investments as of September 30, 2018 and 2017:

	<u>2018</u>					
	<u>Cost</u>	<u>Fair Value 9/30/17</u>	<u>Contributed Stock (Net of Sales)</u>	<u>Gross Unrealized Gain (Loss)</u>	<u>Gross Realized Gain (Loss)</u>	<u>Fair Value 9/30/18</u>
Stocks	<u>\$101,350</u>	<u>\$34,975</u>	<u>\$ 74,068</u>	<u>\$16,418</u>	<u>\$ -</u>	<u>\$125,462</u>

	<u>2017</u>					
	<u>Cost</u>	<u>Fair Value 9/30/16</u>	<u>Contributed Stock (Net of Sales)</u>	<u>Gross Unrealized Gain (Loss)</u>	<u>Gross Realized Gain (Loss)</u>	<u>Fair Value 9/30/17</u>
Stocks	<u>\$28,320</u>	<u>\$32,989</u>	<u>\$ -</u>	<u>\$1,986</u>	<u>\$ -</u>	<u>\$34,975</u>

5. Fair Value of Financial Instruments

Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Investments: The fair values of investments are based on quoted market prices for those or similar investments.

6. Fair Value Measurements

Fair Value Measurements - Disclosures related to FASB ASC 820 Fair Value Measurements and Disclosures should result in an increased consistency and comparability in fair value measurements by defining fair value, providing a framework for measuring fair value, and expanding the disclosures related to fair value.

FASB ASC 820 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. In accordance with the definition, the statement establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I - Quoted market prices are available in active markets for identical investments as of the reporting date. The type of investments which would generally be included in Level 1 include listed equities and listed derivatives. As required by FASB ASC 820, the Organization, to the extent that it holds such investments, does not adjust the quoted market price for these investments, even in situations where the Organization holds a large position and a sale could reasonably impact the quoted price.

Level II - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Fair value is determined through the use of models other than valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, and certain over-the-counter derivatives.

Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in the category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, hedge funds, distressed debt and non-investment grade residual interests in securitizations, and collateralized debt obligations.

In some cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. Accordingly, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of inputs that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Fair Values Measured on a Recurring Basis

Fair values of assets measured on a recurring basis at September 30, 2018 and 2017 are as follows:

	2018		2017	
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>
Investments	<u>\$125,462</u>	<u>\$125,462</u>	<u>\$34,975</u>	<u>\$34,975</u>

Fair values for investments are determined by references to quoted market prices and other relevant information generated by market transactions.

7. Long-Term Debt

Long-term debt consisted of the following:

	<u>2018</u>	<u>2017</u>
Note payable to bank in monthly installments of \$409, including interest, at a rate of 5.67%, with a final payment due in August 2023. The note is secured by a vehicle.	\$ 20,691	\$24,629
Less current installments	<u>(3,606)</u>	<u>(3,606)</u>
Total long-term debt	<u>\$ 17,085</u>	<u>\$21,023</u>

Interest expense for the year ended September 30, 2018 and 2017 was \$972 and \$116, respectively.

Maturities of long-term debt subsequent to September 30, 2018 are summarized as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 3,816
2020	4,038
2021	4,273
2022	4,522
2023	<u>4,042</u>
Total	<u>\$ 20,691</u>

8. Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services, immaterial equipment or materials in as much as no objective basis is available to measure the value of such items.

9. Compensated Absences

Employees of the Organization are entitled to paid time off, depending on job classification, length of service and other factors. It is not practical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

10. Restrictions on Net Assets

Temporarily restricted net assets consist of assets held as follows:

	<u>2018</u>	<u>2017</u>
Cash restricted for training purposes	<u>\$4,556</u>	<u>\$4,556</u>

11. Tax Sheltered Annuity

The Organization offers a tax sheltered annuity to its employees. The Organization will make a discretionary matching contribution, up to 6%, for each employee who participates in the plan. Any employee is eligible as of employment date and is 100% vested after three years of employment. Withdrawal can be made without penalty upon reaching 59½ years of age.

12. Leases

Lessor of Property

The Organization is the lessor of certain real property located in Burke County, North Carolina for pasture land purposes and apartment rentals. The Organization has agreed to give the current lessee first option to renew the lease if the Organization decides to continue leasing the property.

The Organization also subleases certain real property to tenants for business purposes under operating leases which expire through 2019. One of the leases has an option to renew for three years at a minimum 10% rate increase. The following is a schedule by years of future minimum rentals under the leases at September 30, 2018:

<u>Year Ended</u>	<u>Amount</u>
2019	<u>\$15,000</u>
Total minimum future rentals	<u>\$15,000</u>

The Organization received \$50,039 and \$56,310 annual rental income in 2018 and 2017, respectively.

Operating Leases

The Organization leases vehicles and buildings under operating leases which expire through 2021.

Minimum future rental payments under the operating leases as of September 30, 2018 for the next three years are as follows:

<u>Year Ended</u>	<u>Amount</u>
2019	\$ 49,774
2020	48,498
2021	<u>31,696</u>
Total minimum future rental payments	<u>\$129,968</u>

Rental expense under all operating leases was \$55,800 and \$59,342 for the years ended September 30, 2018 and 2017, respectively.

13. Children's Advocacy Centers (CAC)

During fiscal year 1998, Southmountain Children and Family Services established, and continues to operate, a Children's Advocacy Center in Morganton, North Carolina. During fiscal year 2009, a Children's Advocacy Center was established in Marion, North Carolina. During fiscal year 2010, the Children's Advocacy Center of the Blue Ridge was established to serve Watauga and Avery counties. During fiscal year 2013, Southmountain assumed operation of the CAC of Yancey County and expanded services to Mitchell County as the Children's Advocacy Center of the Toe River. The purpose of the CAC's is to provide an efficient means of conducting forensic interviews and medical evaluations in alleged child abuse cases in a non-threatening, child-friendly environment. The CAC's also provide evidence-based clinical treatment to child victims and their families.

During fiscal year 2018, the Organization expanded this service further and began laying the groundwork to establish three new CACs in Transylvania, Moore, and Harnett Counties, as well as one CAC in Nash County to provide services to Nash, Edgecombe, and Wilson Counties. The Centers are expected to open during fiscal year 2019.

14. Investment In Community Foundation

In 2007, a permanent endowment was created through the Community Foundation of Burke County with a donor contribution of \$12,000. Additional donor contributions to the foundation during the year were made in the amount of \$-0-. Southmountain Children and Family Services will benefit from the income from this endowment in perpetuity. The endowment was valued at \$14,116 for the year ended September 30, 2018.

15. Related Party Transactions

The Organization sold a vehicle to the Executive Director's brother which is required to be disclosed due to the relationship. The Board of Directors approved the sale prior to the transaction. The vehicle had a book value at the time of sale of \$2,250.

16. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Organization has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

17. Uncertainty in Income Taxes

FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, clarifies the accounting for uncertainty in income tax positions. Based on an evaluation of uncertain tax positions, management is required to measure potential tax liabilities that could have a risk of greater than a 50% likelihood of being realized upon settlement. As of September 30, 2018, management has determined that the Organization has no such risk, and therefore, no liabilities have been recorded for uncertain tax positions.

18. Subsequent Events

Management has evaluated subsequent events through February 19, 2019, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, the following circumstances occurred that require recognition or disclosure in these financial statements:

The Organization purchased an office building on January 14, 2019 for \$541,109 with a contribution from the building owner in the amount of \$200,000 with \$341,109 funded by the Organization. The Organization previously leased this building for their office space.

Option Agreement

The Organization entered into an option agreement for the sale of approximately thirty-six acres, located in the Linville Township of Burke County, N. C. The parties entered into the agreement on March 30, 2017. The buyer paid the seller the sum of \$500 for an option term extending to March 1, 2018 for the purchase of the above described property. The Option shall expire on March 31, 2019. The total purchase price for the Property, including the Option Fee, shall be \$6,944 per acre, based on the total acreage according to a property survey the Buyer will obtain, with a total purchase price not to exceed two hundred fifty thousand dollars (\$250,000). The option purchase price shall be credited towards the property purchase price.

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

**Schedules of Activities - (Non-GAAP)
For the Years Ended September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Public Support:		
Local funds	\$ 2,764,615	\$ 2,904,685
Federal funds	1,401,515	59,441
State funds	258,313	1,231,409
Other revenue	<u>126,299</u>	<u>112,463</u>
 Total public support and other revenue	 <u>4,550,742</u>	 <u>4,307,998</u>
 Expenses:		
Salaries	2,633,589	2,366,273
Payroll taxes and benefits	622,069	569,770
Licensure and accreditation	6,200	4,602
Contracted services	57,839	59,919
Supplies	30,973	34,222
Occupancy	403,170	455,237
Postage and printing	1,751	1,783
Insurance and bonding	52,013	49,656
Food services	27,079	23,632
Staff development	77,961	34,045
Transportation	67,323	66,517
Dues and subscriptions	13,567	16,348
Staff recruiting	1,281	5,209
Professional fees	13,004	14,146
Equipment purchase/lease/maintenance	13,525	5,235
Client Specific Expenses	29,048	26,362
Development	17,507	37,346
Recreation	33,924	35,089
Data processing	21,388	30,343
Miscellaneous	<u>19,450</u>	<u>18,654</u>
Total expenses	<u>4,142,661</u>	<u>3,854,388</u>
 Change in net assets	 408,081	 453,610
 Reconciliation From Modified to Full Accrual Basis:		
Less: Depreciation	<u>144,994</u>	<u>141,714</u>
 Change in net assets	 <u>\$ 263,087</u>	 <u>\$ 311,895</u>

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

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**Independent Auditors' Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements Performed
In Accordance With Government Auditing Standards**

To the Board of Directors of
Southmountain Children and Family Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Southmountain Children and Family Services (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southmountain Children and Family Services' internal control over financial reporting (internal control) to determine the 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 Southmountain Children and Family Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Southmountain Children and Family Services' 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control identified in the accompanying Schedule of Findings and Responses as item 2018-001 and 2018-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southmountain Children and Family Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as item 2018-001 and 2018-002.

Southmountain Children and Family Services' Response to Findings

Southmountain Children and Family Services' response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Southmountain Children and Family Services' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Low Smith Church & Co., L.L.P.

Morganton, North Carolina
February 19, 2019

**Independent Auditors' Report On Compliance For Each Major Federal Program
And On Internal Control Over Compliance Required By The Uniform Guidance
And The State Single Audit Implementation Act**

To the Board of Directors of
Southmountain Children and Family Services

Report on Compliance for Each Major Federal Program

We have audited Southmountain Children and Family Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Audit Manual For Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of Southmountain Children and Family Services' major federal programs for the year ended September 30, 2018. Southmountain Children and Family Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Southmountain Children and Family Services' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southmountain Children and Family Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southmountain Children and Family Services' compliance.

Opinion on Each Major Federal Program

In our opinion, Southmountain Children and Family Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of Southmountain Children and Family Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southmountain Children and Family Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southmountain Children and Family Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lowsmith Church & Co., L.L.P.

Morganton, North Carolina
February 19, 2019

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

**Schedule of Findings and Responses
For the Year Ended September 30, 2018**

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

Noncompliance material to financial statements noted

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA#

Name of Federal Program or Cluster

16.575

2017 Victims of Crime Act

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

State Awards

None

SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

**Schedule of Findings and Responses
For the Year Ended September 30, 2018**

Section II. Financial Statement Findings

Finding: 2018-001

Inadequate Segregation of Duties

Condition: The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The governing board should remain involved in the financial affairs of the Organization to provide oversight.

Effect: Material misstatements could occur, whether due to fraud or error, and not be detected on a timely basis.

Finding: 2018-002

Preparation of the Financial Statements

Condition: Lowdermilk Church & Co., L.L.P. (the independent auditors) prepared the draft financial statements for the Organization. As with most smaller organizations, this becomes necessary due to the cost benefit of either out-sourcing or hiring personnel with the expertise to prepare financial statements in conformity with generally accepted accounting principles.

Effect: If the Organization prepared the financial statements, they may not be prepared in accordance with generally accepted accounting principles (GAAP).

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.



Corrective Action Plan
For the Year Ended September 30, 2018

Section II. Financial Statement Findings

Finding: 2018-001

Name of Contact Person: W. Chris Jernigan

Response: The governing board will remain involved in the financial affairs in order to provide oversight.

Finding: 2018-002

Name of Contact Person: W. Chris Jernigan

Response: The Board of Directors and management will continue services with the independent accountants to prepare the financial statements in accordance with generally accepted accounting principles.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.



SOUTHMOUNTAIN CHILDREN AND FAMILY SERVICES

**Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2018**

	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:					
Cash Programs:					
<u>U. S. Department of Justice</u>					
Passed-through N. C. Department of Public Safety - Governor's Crime Commission:					
Victims of Crime Act (VOCA)	16.575	14-I-2659	\$789,069	\$ -	\$157,814
Passed-through N.C. Child Advocacy Center:					
Victims of Crime Act (VOCA)	16.758		<u>30,958</u>	-	-
Total assistance - federal programs			<u>820,027</u>	-	<u>157,814</u>
State Grants:					
Cash Assistance:					
<u>N. C. Department of Health and Human Services:</u>					
Children's Advocacy Center			-	<u>221,153</u>	-
Total assistance - State Programs			-	<u>221,153</u>	-
Total assistance			<u>\$820,027</u>	<u>\$221,153</u>	<u>\$157,814</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Southmountain Children and Family Services under the programs of the federal government and the State of North Carolina for the year ended September 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Southmountain Children and Family Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of Southmountain Children and Family Services.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Southmountain Children and Family Services has elected not to use the 10-percent de minimus indirect cost as allowed under the Uniform Guidance.