WEBSTER ENTERPRISES OF JACKSON COUNTY, INC.

Sylva, North Carolina

Financial Statements

Years Ended June 30, 2019 and 2018

CARTER
ACCOUNTING • TAX • ASSURANCE

WEBSTER ENTERPRISES OF JACKSON COUNTY, INC.

<u>OFFICERS</u>

Clifford Faull	Chair
Henry Dowling	Vice-Chair
Frank Lockwood	Secretary/Treasurer

<u>BOARD OF DIRECTORS</u>

Wendy Cagle	Tom McClure
Henry Dowling	Joe Rigdon, CEO
Clifford Faull	Gene Robinson
Frank Lockwood	

WEBSTER ENTERPRISES OF JACKSON COUNTY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Webster Enterprises of Jackson County, Inc.

We have audited the accompanying financial statements of Webster Enterprises of Jackson County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Webster Enterprises of Jackson County, Inc. as of June 30, 2019 and 2018, 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.

Carter, P.C.

Asheville, North Carolina
September 19, 2019

WEBSTER ENTERPRISES OF JACKSON COUNTY, INC.

Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and equivalents	$ 48,185	$ 43,592
Accounts receivable	114,196	206,056
Grants receivable	159,928	55,580
Other receivables	12,170	2,493
Prepaid expenses	15,907	16,665
Inventories	59,166	86,282
Total current assets	409,552	410,668
Property and equipment	484,833	521,660
Total assets	$ 894,385	$ 932,328
Liabilities and net assets		
Current liabilities:		
Current maturities of lines of credit	$ 15,231	$ 42,000
Current portion of obligation under capital lease	2,725	
Current maturities of notes payable	47,986	18,512
Current maturities of deferred compensation	12,000	12,000
Account payable	57,981	87,513
Accrued expenses	41,098	66,031
Total current liabilities	177,021	226,056
Lines of credit, net of current maturities	49,900	
Obligation under capital lease, net of current portion	3,351	
Notes payable, net of current maturities	368,574	391,439
Deferred compensation, net of current maturities	64,500	76,500
Total liabilities	663,346	693,995
Net assets:		
Without donor restrictions	191,321	233,482
With donor restrictions	39,718	4,851
Total net assets	231,039	238,333
Total liabilities and net assets	$ 894,385	$ 932,328

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

WEBSTER ENTERPRISES OF JACKSON COUNTY, INC.

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Sales	$ 1,904,912	$	$ 1,904,912
Vocational rehabilitation	215,899		215,899
Grants	94,341		94,341
Contributions	2,206	35,000	37,206
In-kind contributions	271		271
Other	2,500		2,500
Net assets released from restrictions	133	(133)	
Total revenues and other support	2,220,262	34,867	2,255,129
Expenses			
Program services	1,852,345		1,852,345
Supporting services	389,536		389,536
Total expenses	2,241,881		2,241,881
Increase (decrease) in net assets before loss on disposal of sewing operations	(21,619)	34,867	13,248
Loss on disposal of sewing operations	(20,542)		(20,542)
Increase (decrease) in net assets	(42,161)	34,867	(7,294)
Net assets at beginning of year	233,482	4,851	238,333
Net assets at end of year	$ 191,321	$ 39,718	$ 231,039

WEBSTER ENTERPRISES OF JACKSON COUNTY, INC.

Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Sales	$ 2,040,306	$	$ 2,040,306
Vocational rehabilitation	126,490		126,490
Grants	60,085		60,085
Contributions	3,834		3,834
In-kind contributions	1,178		1,178
Other	21,778		21,778
Net assets released from restrictions			
Total revenues and other support	2,253,671		2,253,671
Expenses			
Program services	1,883,666		1,883,666
Supporting services	399,777		399,777
Total expenses	2,283,443		2,283,443
Decrease in net assets	(29,772)		(29,772)
Net assets at beginning of year	263,254	4,851	268,105
Net assets at end of year	$ 233,482	$ 4,851	$ 238,333

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

WEBSTER ENTERPRISES OF JACKSON COUNTY, INC.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services				
	Vocational Rehabilitation and Training	Cost of Materials and Production	Total Program Services	Management and General	Total
Salaries	$ 187,410	$ 743,427	$ 930,837	$ 219,769	$ 1,150,606
Payroll taxes	14,239	56,198	70,437	13,975	84,412
Benefits	14,636	75,731	90,367	7,722	98,089
Total salaries and related	216,285	875,356	1,091,641	241,466	1,333,107
Cost of materials		613,665	613,665		613,665
Commissions		4,827	4,827		4,827
Donations and sponsorships	1,400		1,400	530	1,930
Dues and subscriptions				15,832	15,832
Building lease		34,040	34,040		34,040
Equipment lease				22	22
Insurance	3,659	18,837	22,496	16,261	38,757
Mileage and travel	2,990	244	3,234	1,404	4,638
Postage and freight	48	2,654	2,702	665	3,367
Professional fees	300		300	23,790	24,090
Repairs and maintenance		5,045	5,045	3,364	8,409
Software licenses and support				6,585	6,585
Staff development and training	779	200	979	319	1,298
Supplies	3,267	17,731	20,998	17,079	38,077
Utilities	1,494	24,060	25,554	16,883	42,437
Vehicle expense		1,367	1,367	922	2,289
Other		(79)	(79)	10,865	10,786
Total expenses before interest and depreciation	230,222	1,597,947	1,828,169	355,987	2,184,156
Interest				21,937	21,937
Depreciation	2,146	22,030	24,176	11,612	35,788
Total expenses	$ 232,368	$ 1,619,977	$ 1,852,345	$ 389,536	$ 2,241,881

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

WEBSTER ENTERPRISES OF JACKSON COUNTY, INC.

Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services				
	Vocational Rehabilitation and Training	Cost of Materials and Production	Total Program Services	Management and General	Total
Salaries	$ 119,218	$ 765,259	$ 884,477	$ 217,799	$ 1,102,276
Payroll taxes	8,910	67,436	76,346	18,983	95,329
Benefits	9,448	69,515	78,963	15,899	94,862
Total salaries and related	137,576	902,210	1,039,786	252,681	1,292,467
Cost of materials		663,946	663,946		663,946
Commissions		7,568	7,568		7,568
Donations and sponsorships	1,525		1,525	200	1,725
Dues and subscriptions				12,273	12,273
Building lease		37,200	37,200		37,200
Equipment lease		9,860	9,860	7,770	17,630
Insurance	320	20,798	21,118	10,803	31,921
Mileage and travel	1,316	857	2,173	1,043	3,216
Postage and freight	13	2,607	2,620	720	3,340
Professional fees				28,465	28,465
Repairs and maintenance		5,615	5,615	4,906	10,521
Software licenses and support				4,510	4,510
Staff development and training	450		450	1,840	2,290
Supplies	1,768	29,109	30,877	9,155	40,032
Utilities	1,728	25,760	27,488	16,974	44,462
Vehicle expense	91	846	937	873	1,810
Other	2	419	421	17,368	17,789
Total expenses before interest and depreciation	144,789	1,706,795	1,851,584	369,581	2,221,165
Interest				18,148	18,148
Depreciation	1,305	30,777	32,082	12,048	44,130
Total expenses	$ 146,094	$ 1,737,572	$ 1,883,666	$ 399,777	$ 2,283,443

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

WEBSTER ENTERPRISES OF JACKSON COUNTY, INC.

Statements of Cash Flows
Year Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Decrease in net assets	$ (7,294)	$ (29,772)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	35,788	44,130
Loss on disposal of sewing operations	20,542	
Gain on forgiveness of debt		(11,403)
Changes in working capital - sources (uses):		
Accounts receivable	88,537	(23,792)
Grants receivable	(104,348)	(42,260)
Other receivables	(9,677)	1,427
Prepaid expenses	758	3,008
Inventories	12,649	29,481
Accounts payable	(29,532)	(17,541)
Accrued expenses	(24,933)	(25,806)
Net cash used by operating activities	(17,510)	(72,528)
Cash flows from investing activities		
Purchase of property and equipment	(7,663)	(6,920)
Proceeds from disposal of sewing operations	14,250	
Net cash provided (used) by investing activities	6,587	(6,920)
Cash flows from financing activities		
Proceeds from lines of credit	41,379	118,821
Repayment of lines of credit	(18,248)	(127,381)
Repayment of obligation under capital lease	(2,224)	
Proceeds from notes payable	27,000	98,000
Repayment of notes payable	(20,391)	(16,591)
Payment of deferred compensation	(12,000)	(12,000)
Net cash provided by financing activities	15,516	60,849
Increase (decrease) in cash and equivalents	4,593	(18,599)
Cash and equivalents at beginning of year	43,592	62,191
Cash and cash equivalents at end of year	$ 48,185	$ 43,592
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 21,937	$ 18,148
Noncash investing and financing activities		
Acquisition of property and equipment through debt	$ 8,300	$

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

Note 1 - Summary of Significant Accounting Policies

Organization

Webster Enterprises of Jackson County, Inc. (the Organization) was formed in 1976 as a nonprofit organization for the purpose of providing a work environment to evaluate, train, educate, and provide employment for persons with disabilities. The Organization's programs are designed to enhance the development of the individual's fullest vocational potential, thereby promoting self-sufficiency. Work activities offered to clients of the facility include production of medical devices and other miscellaneous labor-intensive contracts for local industry.

Income Tax Status

The Organization is incorporated as a nonprofit corporation under the laws of the State of North Carolina. The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and is not a private foundation.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

- *Net assets with donor restrictions*: Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the Organization's choices when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions and grants for specific programs. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Organization has adopted a policy to classify donor restricted support as without donor restrictions to the extent that donor restrictions were met in the reporting period the support was recognized.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Non-operating activities are interest and dividends earned on investments and limited resources that generate return from investments and other activities considered to be more unusual or nonrecurring in nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Cash and Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

The Organization has sold inventories to customers for which it has not been paid. The collectability of each account is considered on a case-by-case basis. Management writes off uncollectable trade receivables to expense when it is determined that the amounts will not be realized.

Inventories

Inventories consist primarily of medical products and materials to be used to manufacture medical devices. These items are valued at the lower of cost or net realizable value. Cost is determined using the weighted average cost method.

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. The Organization has adopted an accounting practice to capitalize all property and equipment with a cost greater than $600 and estimated useful life extending beyond one year. Depreciation is computed using the straight-line method based on the estimated useful life of each class of depreciable asset, generally three to forty years.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. No amounts are reflected in the accompanying financial statements since the recognition criteria were not met.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2019 and 2018, was $2,333 and $1,750, respectively.

Functional Allocation of Expenses

The cost of providing program and supporting services activities have been summarized on a functional basis in the statements of activities. Certain categories of expenses are attributable to programs and support. These expenses include salaries and benefits, operating and administrative, and development. These expenses are allocated based on estimates of time and effort.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than lines of credit, obligation under capital lease, notes payable, and deferred compensation, approximates fair value due to the relatively short-term nature of the financial instruments.

Amounts recognized for lines of credit, obligation under capital lease, and notes payable approximate fair value due to market interest rates charged on outstanding balances.

Deferred compensation is discussed in Note 9.

New Accounting Pronouncement

During the year ended June 30, 2019, the Organization adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* This 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 and information provided about expenses and investment returns between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily and permanently restricted net assets are now combined and reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 3).

The accompanying information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require lessees to recognize a lease liability and right-of-use asset for most leases, including operating leases. The standard is effective for annual periods ending after December 15, 2019. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is intended to clarify and improve the guidance about the distinction between contributions and exchange transactions and determine whether a contribution is conditional. This ASU will be effective for annual periods beginning after December 15, 2018. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures

Note 2 - Net Assets

Net assets with donor restrictions are as follows:

At June 30		2019		2018
Subject to expenditure for a specified purpose or time period:				
Small loan fund for employees	$	727	$	860
Building improvements		3,941		3,941
Employee GED costs		50		50
Operating grant from Jackson County		35,000		
Net assets with donor restrictions	$	39,718	$	4,851

Note 3 - Liquidity and Availability of Financial Assets

The Organization received significant grants restricted by donors and consider those program contributions, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures. The Organization manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Monitoring expenses closely

The Organization maintains lines of credit, with maximum borrowings of $79,900 to meet short-term working capital needs.

The following reflects the liquidity and availability of the Organization's financial assets:

At June 30		2019		2018
Financial assets:				
Cash and equivalents	$	48,185	$	43,592
Accounts receivable		114,196		206,056
Grants receivable		159,928		55,580
Other receivables		12,170		2,493
Inventory		59,166		86,282
Total financial assets available		393,645		394,003
Amounts not available for general expenditure:				
Total net assets with donor restrictions		(39,718)		(4,851)
Add back: operating grant receivable		35,000		
Net financial assets available to meet cash needs for general expenditures within one year	$	388,927	$	389,152

Note 4 - Inventories

Inventories consist of the following:

At June 30	2019	2018
Raw materials	$ 28,527	$ 58,254
Work in process	7,095	6,476
Finished goods	23,544	21,552
Inventories	$ 59,166	$ 86,282

Note 5 - Property and Equipment

A description of property and equipment is as follows:

At June 30	2019	2018
Land	$ 84,378	$ 84,378
Buildings and improvements	800,033	808,446
Production equipment	163,502	214,005
Transportation equipment	22,496	22,496
Furniture and fixtures	3,900	3,900
Computers and computer equipment	60,095	48,264
Assets not held for use in operations	194,142	194,142
	1,328,546	1,375,631
Less, accumulated depreciation	843,713	853,971
Property and equipment	$ 484,833	$ 521,660

Depreciation expense for the years ended June 30, 2019 and 2018, was $35,788 and $44,130, respectively.

Note 6 - Lines of Credit

The Organization maintains three separate $10,000 lines of credit on its checking accounts. These lines of credit are secured by the balances in the checking accounts. The lines have no maturity date and the interest rate is 17.9%. As of June 30, 2019 and 2018, the outstanding balance was $15,231 and $0, respectively.

The Organization also maintains a $50,000 line of credit with a local bank secured by essentially all assets. As of June 30, 2019 and 2018, the outstanding balance was $49,900 and $42,000, respectively. The line renews annually in March. The interest rate on this line was the prime rate plus one percent, with a floor of 5%. In August 2019, the Organization refinanced this line of credit as described in Note 14.

Note 7 - Obligation Under Capital Lease

A description of obligation under capital lease is as follows:

At June 30	2019	2018
Capital lease due in 36 monthly payments of $276, including interest at 12.20%, through July 2021; secured by equipment with a cost of $8,300, less accumulated depreciation of $5,533	$ 6,076	$
Less, current portion	2,725	
Obligation under capital lease, less current portion	$ 3,351	$

Scheduled payments on the capital lease obligation for the next five years are as follows:

Years Ending June 30	
2020	$ 2,725
2021	3,077
2022	274
2023	
2024	
Total principal repayments	$ 6,076

Note 8 - Notes Payable

Notes payable are described as follows:

At June 30	2019	2018
Short-term note due in full at maturity, including interest at 5.1%, due August 2019; secured by essentially all assets.	$ 27,000	$
Installment note due in 59 monthly payments of $728, including interest at 4%, and one balloon payment of the remaining balance, due February 2023; secured by buildings.	90,639	96,212
Installment note due in 59 monthly payments of $2,253, including interest at 3.75%, through September 2018; then 59 monthly payments of $2,390 including interest at 4.55%, through September 2023; and one balloon payment of the remaining balance due October 2023; secured by essentially all assets.	298,921	313,739

Note 8 - Notes Payable (continued)

At June 30	2019	2018
Total notes payable	$ 416,560	$ 409,951
Less, current maturities	47,986	18,512
Notes payable, less current maturities	$ 368,574	$ 391,439

Scheduled principal repayments on notes payable for the next five years are as follows:

Years Ending June 30	
2020	$ 47,986
2021	21,988
2022	22,989
2023	89,940
2024	233,657
Thereafter	
Total principal repayments	$ 416,560

Note 9 - Deferred Compensation

On June 30, 2016, the long-time Chief Executive Officer retired from the Organization and joined the Board of Directors. In accordance with a non-qualified deferred compensation agreement originally dated February 1, 2012, and further amended, $120,000 is payable from the Organization's general assets. The deferred compensation is payable in installments of $1,000 per month until paid in its entirety. The balance of the deferred compensation liability at June 30, 2019 and 2018, was $76,500 and $88,500, respectively. A net present value adjustment has not been recorded as the amount would be immaterial.

Scheduled payments of deferred compensation are as follows:

Years Ending June 30	
2020	$ 12,000
2021	12,000
2022	12,000
2023	12,000
2024	12,000
Thereafter	16,500
Total deferred compensation payments	$ 76,500

Note 10 - Concentration of Credit Risk

Major Customer

During the years ended June 30, 2019 and 2018, the Organization made sales totaling $920,128 and $1,039,299, to one customer, which comprised approximately 48% and 51% of total sales, respectively. Trade accounts receivable at June 30, 2019 and 2018 from the same customer totaled $70,112 and $90,274, which comprised approximately 61% and 44% of total accounts receivable, respectively.

Geographic Area

Concentrations of credit risk with respect to accounts receivable arise due to the limited geographic area in which the Organization offers its services. The majority of sales is generated in Western North Carolina.

Note 11 - Related Party Transactions

As discussed in Note 9, the Organization entered into a deferred compensation agreement with the former CEO, who is currently a Board member. Payments to the Board member under this arrangement during the years ended June 30, 2019 and 2018, totaled $12,000 each year, and the remaining balance of the deferred compensation agreement is detailed in Note 9.

The Organization is a member of Marketing Association for Rehabilitation Centers, Inc. (MARC) to which it pays dues, commissions, and participates in a group health plan. During the years ended June 30, 2019 and 2018, the Organization paid MARC $145,697 and $136,183, respectively. At June 30, 2019 and 2018, the Organization owed MARC $519 and $600, respectively.

Note 12 - Income Taxes

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax provision taken and, as such, does not have any uncertain tax positions material to the financial statements.

Open Tax Years

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2018, 2017, and 2016, are subject to examination by the IRS, generally for three years after they were filed.

Note 13 - Summary Disclosure of Significant Contingencies

Federally Assisted Programs

The Organization has received proceeds from federal 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 monies 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.

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; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any year since inception.

Note 14 - Subsequent Events

Subsequent events were evaluated through September 19, 2019, which is the date the financial statements were available to be issued.

In August 2019, the Organization refinanced the line of credit with a balance of $49,900 at June 30, 2019, as described in Note 6. The maximum borrowings on the line are now $100,000 and maturity was extended to August 2024. The terms call for monthly interest payments at the prime rate plus 0.5%, with principal due at maturity. The current portion of lines of credit has been adjusted as of June 30, 2019 to reflect the revised refinancing terms.