PARTNERS ALIGNED TOWARD HEALTH

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

CORLISS & SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Partners Aligned Toward Health

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CORLISS & SOLOMON PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Partners Aligned Toward Health
Burnsville, North Carolina

We have audited the accompanying financial statements of Partners Aligned Toward Health, which comprise the statement of assets, liabilities, and net assets—modified cash basis as of September 30, 2017, and the related statement of support, expenses, and changes in net assets—modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred above present fairly, in all material respects, the assets, liabilities and net assets of Partners Aligned Toward Health, as of September 30, 2017, and its support, expenses and changes in its net assets for the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the 2016 financial statements of Partners Aligned Toward Health, and our report dated February 20, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solaman, PLLC

Asheville, North Carolina
February 19, 2018

Partners Aligned Toward Health

Statement of Assets, Liabilities and Net Assets–Modified Cash Basis

As of September 30, 2017

(With summarized comparative totals as of September 30, 2016)

	2017	2016
Assets		
Current Assets		
Cash and Equivalents	$ 68,978	$ 102,291
Total Current Assets	68,978	102,291
Long-Term Assets		
Property and Equipment, Net	12,055	9,112
Total Long-Term Assets	12,055	9,112
Total Assets	**$ 81,033**	**$ 111,403**
Liabilities and Net Assets		
Current Liabilities		
Payroll Taxes Payable	$ 3,770	$ 3,050
Total Current Liabilities	3,770	3,050
Net Assets		
Unrestricted	32,031	51,061
Board Designated	13,231	13,231
Total Unrestricted	45,262	64,292
Temporarily Restricted	32,001	44,061
Total Net Assets	77,263	108,353
Total Liabilities and Net Assets	**$ 81,033**	**$ 111,403**

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

Partners Aligned Toward Health

Statement of Support, Expenses and Changes in Net Assets - Modified Cash Basis

Year Ended September 30, 2017

(With comparative totals from the prior year review)

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Support				
Foundation Grants	$ -	$ 5,100	$ 5,100	$ 85,180
Contributions	35,235	21,874	57,109	36,186
Government Grants and Contracts	130,553	7,341	137,894	28,147
Burnsville Fit Families Event	9,690	-	9,690	9,140
In Kind Donations	27,372	-	27,372	10,553
Interest Income	88	-	88	225
Other Income	2,665	-	2,665	416
Net Assets Released from Restrictions	46,375	(46,375)	-	-
Total Support	**251,978**	**(12,060)**	**239,918**	**169,847**
Expenses				
Salaries	136,852	-	136,852	69,259
Payroll Taxes	11,765	-	11,765	6,574
Contract Services	12,085	-	12,085	6,822
Depreciation Expense	2,240	-	2,240	180
Direct Program Expenses				
Advertising	7,428	-	7,428	600
Burnsville Fit Families Event	8,822	-	8,822	5,655
Program Food and Supplies	11,345	-	11,345	23,026
Grants Disbursed	-	-	-	19,500
Program Coordinator	3,920	-	3,920	3,680
Training and Consultants	18,768	-	18,768	1,871
Travel and Transportation	21,246	-	21,246	5,022
Other Program Expenses	5,305	-	5,305	4,634
Dues and Subscription	1,372	-	1,372	2,781
Equipment and Maintenance	6,641	-	6,641	94
Fundraising and Development	1,250	-	1,250	-
Insurance	2,165	-	2,165	2,118
Miscellaneous Expense	1,294	-	1,294	1,101
Office Expenses	1,223	-	1,223	1,622
Postage and Printing	2,325	-	2,325	1,408
Professional Fees	5,250	-	5,250	2,000
Rent and Utilities (In-Kind)	8,012	-	8,012	6,796
Staff Development and Training	1,521	-	1,521	698
Travel and Meetings	179	-	179	620
Total Expenses	**271,008**	**-**	**271,008**	**166,061**
Change in Net Assets	(19,030)	(12,060)	(31,090)	3,786
Net Assets at Beginning of Year	64,292	44,061	108,353	104,567
Net Assets at End of Year	**$ 45,262**	**$ 32,001**	**$ 77,263**	**$ 108,353**

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

Partners Aligned Toward Health

Notes to Financial Statements

Year Ended September 30, 2017

1. *Description of Organization and Summary of Significant Accounting Policies*

Description of the Organization

Partners Aligned Toward Health (PATH), brings people together to identify community needs and address public concerns in Yancey and Mitchell Counties. Using the Community Health Assessment, Partners Aligned Toward Health plans programs based on pressing health needs within the community, and work with community partners to implement a broad range of health initiatives. Partners Aligned Toward Health takes a multidisciplinary approach working from the ground-up to improve public health at individual, community and systemic levels. The programs unite local partners working in collaboration toward a vision of vibrant communities of active, healthy children and families.

Corporate and Tax-Exempt Status

The organization was established in November 1997 as a not-for-profit corporation under the laws of the state of North Carolina, and was recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code in September 1998.

Name Change

On March 16, 2017, Partners Aligned Toward Health changed its name from its previous legal name Graham Children's Health Services, Inc.

Basis of Accounting

The records of Partners Aligned Toward Health are maintained on the modified cash-basis of accounting and the accompanying statements have been prepared on that basis. Modifications to the cash-basis method include recognizing in kind contributions, capitalization and depreciation of furniture and equipment, accrual of payroll tax expense and loan activity. Assets held by other organizations are not included in the financial statements (See note 8). All other transactions are recognized as either cash basis revenues or expenses. The modified cash-basis differs from U.S. generally accepted accounting principles primarily because certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Financial Statement Presentation

Partners Aligned Toward Health follows standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Descriptions of the three net asset classes are as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and that are available for general operating expenses of the organization.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions as to the purpose and/or time of use.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the organization. (The organization had no permanently restricted net assets as of September 30, 2017).

Cash and Cash Equivalents
For purposes of reporting on the statement of cash flows, the organization considers all unrestricted, highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Money market funds with investment companies are considered cash equivalents.

Property and Equipment
Property and equipment purchases are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The capitalization threshold is $1,000 per item.

Contributions
Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to unrestricted net assets and are reported on the statement of activities as "Net assets released from restrictions."

In-Kind Contributions
The organization recognizes contributed goods and the use of facilities at estimated fair market value on the date of receipt. Contributed services are recognized in the financial statements if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When recognized, contributed services are reported at fair value.

Income Taxes/Uncertain Tax Positions
Partners Aligned Toward Health is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income. The organization had no income from unrelated business activities in 2016-17 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Grant and Contribution Revenue Recognition
In accordance with the modified cash-basis of accounting, the organization recognizes grants and contributions when received.

Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 period. Actual results could differ from those estimates.

2. *Cash and Equivalents*
The cash and equivalents balance consists of $68,978 and $102,291 held in two bank accounts at one financial institution as of September 30, 2017 and 2016, respectively.

The accounts are insured in aggregate up to $250,000 by the Federal Deposit Insurance Corporation. As of September 30, 2017, the balances did not exceed the federally insured limit. Management believes it is not exposed to any significant credit risk on its cash balances.

3. ***Property and Equipment***

Property and equipment consists of the following:

As of September 30:	2017	2016
Land	$ 7,614	$ 7,614
Equipment	6,861	2,990
Less: Accumulated Depreciation	(2,420)	(1,492)
Total Property and Equipment, Net	$ 12,055	$ 9,112

Depreciation expense was $2,240 and $180 for the year ended September 30, 2017 and 2016, respectively.

4. ***Board Designated***

As of September 30, 2017 and 2016, the organization held Board Designated funds of $13,231 to help in the creation of a future endowment.

5. ***Temporarily Restricted Net Assets***

PATH's temporarily restricted net assets consists of the following:

As of September 30:	2017	2016
Medical Park Land	$ 7,614	$ 7,614
Healthy Yancey	-	2,458
Substance Abuse Prevention	8,486	16,886
Teen Fitness Program	1,812	1,789
Mitchell After School Program	4,299	5,990
Summer Food Program	5,294	-
Summer Tennis	100	108
Sizzlin Summer Series	2,680	-
Branding and Marketing	-	7,500
Funds for Future Endowment	1,716	1,716
Total Temporarily Restricted Net Assets	$ 32,001	$ 44,061

6. ***In Kind Donations and Contributed Use of Facilities***

PATH receives in-kind office space from Yancey County. PATH also receives in kind support for programs and advertising. Total In kind donations are as follows:

For the Year Ended September 30,	2017	2016
Facilities and Utilities	$ 8,012	$ 6,796
Program Supplies	6,581	3,757
Staff Development	2,638	-
Supporting Services	10,141	-
Total In-Kind Donations	$ 27,372	$ 10,553

7. ***Functional Expenses***

During the fiscal year ended September 30, 2017, approximately 87% of the organization's expenses related to program services, 9% percent to management and general activities, and 4% percent to fundraising.

8. ***Assets Held by Others***

During fiscal years 2011 through 2013, PATH received federal and foundation grant funding to purchase telemedicine equipment for the benefit of organizations throughout the community. The total cost of this equipment was $328,132. PATH retains ownership of this equipment but since it is not being utilized by PATH it is not included as an asset on the

financial statements. The equipment was acquired using Federal grant dollars and as such PATH continues to be responsible for the ongoing monitoring of the equipment's utilization under the terms of the grant. The organization is currently in the process of seeking approval to transfer ownership of the assets to the organizations utilizing the equipment (See Note 10).

9. ***Comparative Data***

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2016, from which the summarized information was derived. In addition, certain reclassifications have been made to prior year information to facilitate comparison to the current year.

10. ***Subsequent Events***

On October 16, 2017, PATH obtained approval from the federal funding source and transferred ownership of the assets described in Note 8 to the Center for Rural Health Innovation, a North Carolina nonprofit corporation.

At the October 2017 Board meeting the Board voted to replace the future endowment fund (see Note 4) with a reserve fund in the amount of $36,708. This amount will be reflected as a Board Designated Net Asset going forward.

Subsequent events have been evaluated through February 19, 2018, which is the date the financial statements were available to be issued.