

**AUDIT REPORT**  
**REGION K COMMUNITY ASSISTANCE CORPORATION**  
**HENDERSON, NORTH CAROLINA**  
**JUNE 30, 2014**

**Board of Directors**

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Sidney Dunston	Pete O'Geary
Zelodis Jay	Joe Shearon
Jimmy Clayton	Merilyn Newell
Elizabeth Blackwell	Walter Gardner
Terry Garrison	David Smith
John Alston	Bryan Pfohl
Barry Richardson	Danny Wright
Linda Jordon	Elic Senter
Tommy Hester	

REGION K COMMUNITY ASSISTANCE CORPORATION  
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JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

**PETWAY**  
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**PEARSON, PA**

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Board of Directors  
Region K Community Assistance Corporation  
Henderson, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of Region K Community Assistance Corporation (the Organization), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and cash flows 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 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.

***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 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 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 Region K Community Assistance Corporation as of June 30, 2014 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Memberships:***

North Carolina  
Association of  
Certified Public  
Accountants

American Institute  
of Certified Public  
Accountants

Medical Group  
Management  
Association

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Region K Community Assistance Corporation's basic financial statements. The accompanying schedule of expenditures of federal and State awards, as required by *Government Auditing Standards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal and State awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying schedule of expenditures of federal and State awards is fairly stated, in all material respects, in relation to the basic 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 December 22, 2014 on our consideration of Region K Community Assistance Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Region K Community Assistance Corporation's internal control over financial reporting and compliance.

*Petway Mills & Pearson, PA*

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

December 22, 2014

REGION K COMMUNITY ASSISTANCE CORPORATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014

Exhibit A

ASSETS

Cash	\$ 33,142
Grants receivable	79,783
Sales tax refund receivable	2,105
County and city rent receivable	600
990-T refund receivable	2,981
Property and equipment, net	<u>14,786</u>

TOTAL ASSETS \$ 133,397

LIABILITES

Accounts payable	\$ 29,307
Building deposits	5,125
Payroll liabilities	4,786
Annual leave payable	<u>3,598</u>

TOTAL LIABILITIES 42,816

EQUITY

Unrestricted net assets	<u>90,581</u>
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TOTAL EQUITY 90,581

TOTAL LIABILITES AND EQUITY \$ 133,397

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

REGION K COMMUNITY ASSISTANCE CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B

**UNRESTRICTED NET ASSETS**

Revenue and Support	
Consumer contributions	\$ 8,562
County and city rental payments	4,800
Government grants	327,005
Senior Center	12,441
Person County appropriation	100,000
Private pay income	10,534
Investment income	20
Building rentals	637
Miscellaneous income	8,308
Special events	10,375
Total Revenue and Support	<u>482,682</u>
Expenses	
Program expenses	298,614
Management and general	160,459
Total expenses	<u>459,073</u>
CHANGE IN NET ASSETS	23,609
NET ASSETS - BEGINNING OF YEAR	<u>66,972</u>
NET ASSETS - END OF YEAR	<u>\$ 90,581</u>

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

REGION K COMMUNITY ASSISTANCE CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Change in net assets	\$ 23,609
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	2,354
Increase in grants receivable	(6,339)
Decrease in sales tax receivable	9,642
Increase in 990-T refund receivable	(600)
Increase in county and city rent receivable	(2,981)
Decrease in accounts payable	(4,191)
Decrease in building deposits	(900)
Decrease in payroll liabilities	(1,816)
Decrease in annual leave payable	(705)
Net cash provided by (used in) operating activities	<u>18,073</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Purchase of equipment	<u>-</u>
 <b><u>NET CHANGE IN CASH</u></b>	 18,073
<b><u>CASH - BEGINNING OF YEAR</u></b>	<u>15,069</u>
<b><u>CASH - END OF YEAR</u></b>	<u>\$ 33,142</u>

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



REGION K COMMUNITY ASSISTANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

1. Summary of Significant Accounting Policies

Purpose of the Organization

Region K Community Assistance Corporation (the Organization) is a nonprofit entity organized to augment and enhance the programs and services related to aging, juvenile justice, community development, economic development, workforce development, and transportation planning and development provided by public and private agencies, including but not limited to, the Kerr-Tar Regional Council of Governments, Franklin County, Granville County, Person County, Vance County, Warren County and the municipalities located in each of those counties. Currently, the Organization operates the Person County Senior Center.

Reporting Entity

The Organization is a discretely presented component that is included in the financial statements of the Kerr-Tar Regional Council of Governments (the Council) because the executive committee of the Council serves as the Board of Directors of the Organization and the Council funds the majority of the Organization's activities.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Basis of Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subjected to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance and unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

REGION K COMMUNITY ASSISTANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Income Taxes

The Organization is exempt from income taxes under Section 501(c) (3) of the U.S. Internal Revenue Code and the applicable State tax statutes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

The Organization implemented the new accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of the date of the independent auditors' report, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Corporation's income tax returns for 2014 and 2013 are open for examination by tax authorities.

Contributed Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services. No amounts representing these services have been recognized in the statement of activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash and cash equivalents to include all highly liquid debt instruments with a maturity of three months or less.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are recorded at original cost. Items that do not substantially improve or extend the life of an asset are expensed when paid. Items which do substantially extend the life of an asset and major improvements are capitalized and expensed over the estimated useful life of the asset. Depreciation is calculated on the straight-line basis as follows:

Recreation and fitness equipment	7-10 years
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Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Assets donated without donor stipulations regarding how long the assets must be maintained are reported as temporarily restricted net assets. The Organization reclassifies these temporarily restricted net assets to unrestricted assets when donated or acquired assets are placed in service as instructed by the donor.

2. Grants Receivable

Grants receivable at June 30, 2014 consist of the following:

Person County	\$ <u>79,783</u>
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REGION K COMMUNITY ASSISTANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

3. Property and Equipment

Property and equipment at June 30, 2014 consists of the following:

Fitness equipment	\$	15,393
Recreation equipment		1,550
Office equipment – Not in service		2,551
	\$	19,494
Less accumulated depreciation		(4,708)
Net Property and Equipment	\$	14,786

Depreciation expense totaled \$2,354 for the year ended June 30, 2014.

Included in property and equipment is equipment purchased with federal program funding. Upon the sale of the equipment, the Organization is required to reimburse the grantors a prorata share of the proceeds based on the percentage of contribution made by the grantors of the original purchase.

4. Expenses

Expenses incurred were as follows:

	Total	Program	Management and General	Fund Raising
Salaries	\$ 118,162	\$ 78,555	\$ 39,607	\$ -
Payroll expense	14,850	9,157	5,693	-
Lease expense	12,000	-	12,000	-
Family caregiver program	8,428	8,428	-	-
Nutrition program	67,396	67,396	-	-
In-home aid program	89,320	89,320	-	-
SHIP program	369	369	-	-
Transportation	42,325	42,325	-	-
Insurance - employee group	28,728	-	28,728	-
Insurance	7,938	-	7,938	-
Senior Center operations	46,875	-	46,875	-
Travel and meetings	2,517	-	2,517	-
Equipment expense	710	710	-	-
Depreciation expense	2,354	2,354	-	-
Legal Fees	9,641	-	9,641	-
Accounting Fees	7,460	-	7,460	-
Total expenses	\$ 459,073	\$ 298,614	\$ 160,459	\$ -

5. Support From Governmental Units

The Organization receives approximately 90% of its revenue and support from federal, State and local governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

REGION K COMMUNITY ASSISTANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

6. Operating Lease

The Organization leases a copier under the terms of an operating lease which began in April, 2011. The monthly lease payments are charged to expense as incurred.

The scheduled future minimum lease payments under this lease are as follows:

Year Ending June 30	Amount
2015	\$ 1,570
2016	1,307
Total	<u>\$ 2,877</u>

7. Commitments

The Organization entered into a three-year contract for website hosting which began in August 2012. The service payments are made monthly in the amount of \$150. The scheduled future minimum payments under this contract are as follows:

Year Ending June 30	Amount
2015	\$ 1,800
2016	150
Total	<u>\$ 1,950</u>

The Organization entered into a one-year commercial lease for new office space with a possibility of renewal for two additional years beginning on March 17, 2014. The payments are made monthly in the amount of \$1,700 with the first payment being pro-rated at \$600. The Organization is obligated to make future minimum payments of \$13,600 during 2015.

8. 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 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.

9. Related Organization

Region K Community Assistance Corporation was formed by the Board of Directors of Kerr Tar Region Council of Governments to provide services to an economically distressed region in the State of North Carolina. The Executive Committee of the Kerr Tar Regional Council of Governments serves as the Board of Directors of Region K Community Assistance Corporation. The Executive Director and the Finance Officer of the Kerr Tar Region Council of Governments also serve in their respective positions for Region K Community Assistance Corporation. Neither the Board of Directors, the Executive Director, nor the Finance Officer received any compensation for their services from Region K Community Assistance Corporation.

REGION K COMMUNITY ASSISTANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

10. Subsequent Events

The Organization has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued, which is the date of the independent auditors' report. The Organization has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

11. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year ended June 30, 2014, the Organization carried insurance through various commercial carriers to cover all risks of losses. The Organization has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

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INDEPENDENT AUDITOR'S 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

**PETWAY**  
**MILLS &**  
**PEARSON, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Region K Community Assistance Corporation  
Henderson, North Carolina

C. Briggs Petway, Jr.  
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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 Region K Community Assistance Corporation (the Organization), which comprise the statement of financial position as of June 30, 2014, 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 December 22, 2014.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Region K Community Assistance Corporation's 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 Region K Community Assistance Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region K Community Assistance Corporation's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Memberships:

North Carolina  
Association of  
Certified Public  
Accountants

American Institute  
of Certified Public  
Accountants

Medical Group  
Management  
Association

**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.

*Petway, Mills & Pearson, PA*  
PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

December 22, 2014

REGION K COMMUNITY ASSISTANCE CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I. – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?      \_\_\_\_\_ yes        X   no

Significant deficiencies identified  
that are not considered to be  
material weaknesses?      \_\_\_\_\_ yes        X   none reported

Noncompliance material to  
financial statements noted?      \_\_\_\_\_ yes        X   no



REGION K COMMUNITY ASSISTANCE CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II. – FINANCIAL STATEMENT FINDINGS

None.

REGION K COMMUNITY ASSISTANCE CORPORATION  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II. – FINANCIAL STATEMENT FINDINGS

None Reported.

REGION K COMMUNITY ASSISTANCE CORPORATION  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II. – FINANCIAL STATEMENT FINDINGS

None reported.

REGION K COMMUNITY ASSISTANCE CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2014

GRANTOR/PASS-THROUGH GRANTOR PROGRAM/CLUSTER TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
<b>FEDERAL AWARDS</b>		
<b>US Department of Health and Human Services</b>		
Passed - through the North Carolina Department of Health and Human Services		
Division of Aging and Adult Services		
Special Program for the Aging - Title III-B Grants		
Home and Community Care Block Grant for Older Adults-Access	93.440CL	\$ 35,392
Home and Community Care Block Grant for Older Adults - In-Home Services	93.440CL	173,659
Special Program for the Aging - Title III-C Grants		
Congregate Nutrition	93.045	34,125
Home-Delivered Meals	93.045	38,831
Senior Center		11,680
Family Caregiver Support Program	93.052	<u>10,106</u>
Total US Department of Health and Human Services		<u>303,793</u>
US Department of Agriculture		
NSIP	10.570	<u>8,757</u>
Total federal awards		<u>312,550</u>
<b>STATE GRANTS</b>		
<b>NC Department of Transportation</b>		
Rural Operating Assistance Program Cluster - Elderly and Disabled Transportation Assistance Program	XXXX	17,221
SHIIPS	XXXX	<u>2,773</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>19,994</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		<u>\$ 332,544</u>

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of Region K Community Assistance Corporation and is presented on the accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of *Government Auditing Standards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.