

**CHILDREN'S AID SOCIETY  
IN CLEARFIELD COUNTY**

**INDEPENDENT AUDITOR'S REPORTS  
AND  
FINANCIAL STATEMENTS**

**Years Ended December 31, 2014 and 2013**

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# ***Joseph M. Lazore***

CERTIFIED PUBLIC ACCOUNTANT

317 South Main Street

DuBois, PA 15801

814-371-1980

Fax 814-371-4593

Email: [jmlazore@comcast.net](mailto:jmlazore@comcast.net)

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Children's Aid Society  
in Clearfield County  
Clearfield, PA 16830

### **Report on Financial Statements**

I have audited the accompanying consolidated financial statements of Children's Aid Society in Clearfield County (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, cash flows, and functional expenses 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Children's Aid Society in Clearfield County as of December 31, 2014 and 2013, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 19, 2015 on my consideration of Children's Aid Society in Clearfield County's internal control over financial reporting and on my 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 my 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 Children's Aid Society in Clearfield County's internal control over financial reporting and compliance



DuBois, Pennsylvania  
February 19, 2015

**CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash	\$ 136,845	122,899
Accounts receivable	53,760	47,422
Grants receivable	32,943	25,229
purposes:		
Cash	15,505	1,415
Long-term investments	672,585	660,132
Investment restricted for endowment	39,018	26,342
Property and equipment	368,446	378,876
<b>TOTAL ASSETS</b>	<b>\$ 1,319,102</b>	<b>1,262,315</b>
<b>LIABILITIES</b>		
Line of credit	\$ -	-
Accounts payable – vendors	1,931	4,104
Accrued payroll and taxes	5,878	6,416
Refundable advances	1,500	1,500
<b>TOTAL LIABILITIES</b>	<b>9,309</b>	<b>12,020</b>
<b>NET ASSETS</b>		
Unrestricted		
Designated by the Board for:		
Endowment purposes	678,145	653,117
Post-secondary education	8,445	8,430
Total Designated	686,590	661,547
Available for general activities	579,439	557,664
Total Unrestricted	1,266,029	1,219,211
Temporarily restricted	4,746	4,742
Permanently restricted	39,018	26,342
<b>TOTAL NET ASSETS</b>	<b>1,309,793</b>	<b>1,250,295</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,319,102</b>	<b>1,262,315</b>

The accompanying notes are an integral part of this statement.

**CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>UNRESTRICTED NET ASSETS</b>		
Revenues, gains and other support		
Federal, state, and county grants	\$ 660,251	649,757
Other grants	7,750	1,650
Contributions, memorials and bequests	19,830	24,434
Donated facilities and services	300	-
Special fund raising events	71,088	83,535
United Way allocations	14,163	10,138
Board membership fees	935	715
Other support	2,065	499
Program service fees	760,774	727,276
Investment income	32,176	24,501
Realized gains (losses)	10,754	(555)
Unrealized gains (losses) on investments	(9,141)	56,735
Gain on sale of fixed assets	7,250	
Recovery of bad debts	1,537	
Transfer to restricted net assets	-	(12,607)
Other revenues	1,416	134
<b>TOTAL REVENUES, GAINS,</b>	<b>1,581,148</b>	<b>1,566,212</b>
<b>AND OTHER SUPPORT</b>		
<b>EXPENSES</b>		
Program services	1,498,214	1,486,012
Supporting services	36,112	40,266
<b>TOTAL EXPENSES</b>	<b>1,534,326</b>	<b>1,526,278</b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>46,822</b>	<b>39,934</b>
<b>RESTRICTED NET ASSETS</b>		
Contributions	10,000	6,825
Transfer from unrestricted net assets	-	12,607
Unrealized gain	2,001	-
Investment income	675	304
<b>INCREASE IN RESTRICTED NET ASSETS</b>	<b>12,676</b>	<b>19,736</b>
<b>INCREASE IN NET ASSETS</b>	<b>59,498</b>	<b>59,670</b>
NET ASSETS AT BEGINNING OF YEAR	1,250,295	1,190,625
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,309,793</b>	<b>1,250,295</b>

The accompanying notes are an integral part of this statement.

**CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2014 and 2013

	Program Services											Supporting Services	
	Adoption	Big Brothers/ Big Sisters	Southern Clearfield County	Child Care	Off-Site	Pre-K Counts	Healthy Relationships	Nurturing	Childrens Trust Fund	Other Family Support	In Home Services	Total Program Services	Management and General
Compensation and related expenses:													
Compensation	\$ 160,791	50,850	25,403	237,604	32,058	86,121	165,385	7,426	36,100	1,159	51,744	854,639	15,691
Employee benefits	30,061	9,311	4,328	12,310	3,800	14,013	25,438	1,130	5,668	145	10,101	116,303	2,263
Payroll taxes	17,221	5,320	2,627	30,305	3,890	8,422	17,760	631	3,439	135	5,496	95,246	1,904
	<u>208,072</u>	<u>65,481</u>	<u>32,358</u>	<u>280,219</u>	<u>39,747</u>	<u>108,555</u>	<u>208,582</u>	<u>9,186</u>	<u>45,207</u>	<u>1,439</u>	<u>67,341</u>	<u>1,066,188</u>	<u>19,858</u>
Small equipment	-	-	-	-	-	-	65	-	-	-	-	65	76
Professional fees	915	253	116	968	73	370	2,631	124	200	151	358	6,159	4,606
Insurance	3,938	1,015	782	24,138	1,512	5,685	5,860	216	774	28	1,530	45,478	294
IT fees	617	165	89	1,141	124	460	631	142	-	3	216	3,588	41
Utilities	1,764	451	229	13,004	632	3,324	1,693	80	303	9	585	22,074	108
Maintenance expense	1,263	470	208	6,853	395	1,934	1,798	78	297	8	585	13,889	707
Housekeeping supplies	228	57	31	3,015	247	457	219	10	38	1	76	4,379	20
Telephone/internet	1,620	936	539	2,384	474	607	1,917	456	255	7	1,270	10,465	92
Postage	1,741	467	284	184	19	85	2,876	165	447	30	24	6,322	904
Office supplies	3,428	499	940	1,988	193	707	5,694	54	735	10	255	14,503	359
Program expense	2,686	1,110	3,181	3,693	1,383	1,947	16,983	17	36	90	237	31,363	29
Equipment maintenance	1,697	543	668	1,280	110	377	2,825	148	305	32	225	8,210	43
Foster Care & Respite payments	442	-	-	-	-	-	-	-	-	-	-	442	-
Membership dues	545	2,617	1,450	60	60	-	60	600	-	-	-	5,392	450
Subscriptions/Resource materials	70	31	-	151	23	132	21,602	76	879	-	28	22,992	5
Travel	25,878	3,661	2,643	330	62	334	17,216	385	1,130	81	9,068	60,788	10
Professional development	1,470	495	300	4,105	227	1,324	2,898	-	110	-	70	10,999	-
Marketing expense	8,982	972	7,467	3,622	194	597	14,174	83	1,652	27	701	38,471	94
Fund raising expense	-	14,823	-	4,655	-	-	-	-	2,684	-	-	22,162	1,121
Food	67	370	535	26,898	28	15	33,767	37	821	171	23	62,732	2
Events/recognition	206	135	-	294	16	472	12	17	-	61	23	1,236	498
Transportation	-	-	65	404	974	300	-	-	-	-	-	1,743	-
Inhouse printing	46	108	102	43	3	41	1,647	24	351	13	27	2,405	2
Stipends	-	-	-	-	-	-	6,953	-	680	-	-	7,633	-
Occupancy costs	-	-	-	(7,579)	-	7,579	3,146	-	130	-	-	3,276	-
Interest expense & bank fees	-	-	-	-	-	-	-	-	-	-	-	-	30
Other expenses	-	1,623	-	-	-	-	-	-	-	-	-	1,623	300
	<u>265,675</u>	<u>96,282</u>	<u>51,987</u>	<u>371,850</u>	<u>46,496</u>	<u>135,302</u>	<u>353,249</u>	<u>11,898</u>	<u>57,034</u>	<u>2,161</u>	<u>82,642</u>	<u>1,474,576</u>	<u>29,649</u>
Total expenses before depreciation													
Depreciation expense	1,011	483	487	17,553	139	902	2,668	-	-	189	206	23,638	6,463
<b>TOTAL EXPENSES</b>	<b>\$ 266,686</b>	<b>96,765</b>	<b>52,474</b>	<b>389,403</b>	<b>46,635</b>	<b>136,204</b>	<b>355,917</b>	<b>11,898</b>	<b>57,034</b>	<b>2,350</b>	<b>82,848</b>	<b>1,498,214</b>	<b>36,112</b>

**CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 59,498	59,670
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation	30,101	29,455
Unrealized (gains) losses on investments	7,140	(56,735)
Investment income on permanent restrictions	(675)	(304)
(Increase) decrease in operating assets:		
Grants receivable	(7,714)	5,670
Accounts receivable	(6,338)	7,746
Increase (decrease) in operating liabilities:		
Accounts payable	(2,173)	964
Accrued payroll and taxes	(538)	918
	<b>79,301</b>	<b>47,384</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments, net	(31,594)	(23,035)
Purchase of property and equipment	(19,671)	(13,091)
	<b>(51,265)</b>	<b>(36,126)</b>
	<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	
	<b>28,036</b>	<b>11,258</b>
<b>NET INCREASE (DECREASE) IN CASH</b>		
BEGINNING CASH	124,314	113,056
<b>ENDING CASH</b>	<b>\$ 152,350</b>	<b>124,314</b>

The accompanying notes are an integral part of this statement.

**CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Children's Aid Society in Clearfield County provides support, screening and educational preparation to families seeking adoption through the adoption referral network. The Society also provides Child care services for pre-school and elementary school-age children, a Pre-K Counts program for pre-kindergarten students, a Big Brothers/Big Sisters program, the Southern Clearfield County Program to help children reach their potential through professionally supported mentoring relationships, the Healthy Relationships Project to promote healthy marriage and fatherhood, and Family Support Services for parents and children.

Basis of Accounting and Presentation

The financial statements have been prepared on an accrual basis and in conformity with the recommendations of the *Financial Accounting Standards Board* in its *Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: *unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets*.

Accounts Receivable

Management believes that accounts receivable at December 31, 2014 are primarily collectible and, therefore, provides no allowance for uncollectible accounts. The direct write-off method of recording uncollectible accounts is used.

Investments

Investments in marketable securities are stated at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment

Fixed assets are stated at cost, or fair market value if donated, and depreciated over their estimated useful lives on a straight-line basis.

Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted assets if the restriction expires in the reporting period in which the support is received. All other 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 reclassified to unrestricted net assets and reported in the Statement of Activities as *net assets released from restrictions*. Federal grant awards are classified as *refundable advances* until expended for the purposes of the grants since they are conditional promises to give.



## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Donated Assets and Services

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

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, 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. There were donations of services and facilities, during the current year, that were recognized in the Healthy Marriage and Pre-K programs that were part of the match requirement. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, various fundraising events, and various committee assignments throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met.

### Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Estimates

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

### Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

### Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers Certificates of Deposit not designated for Endowment purposes to be cash equivalents.

## NOTE 2 - INVESTMENTS

The following details the description, cost and quoted market value of investments designated for endowment purposes at December 31, 2014:

	<u>Cost</u>	<u>Market Value</u>
Stocks:		
6580 sh County National Bank	\$ 689	121,730
25 sh J.C. Penney	-	162
Certificates of Deposit	8,445	8,445
County National Bank – Trust Account	<u>471,934</u>	<u>542,248</u>
Total Long Term Investments	<u>\$ 459,636</u>	<u>672,585</u>

As explained in Note 1, the Organization reports its investments in marketable securities at fair value in accordance with SFAS No. 124.

### NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Program building and improvements	\$ 693,251	686,611	6,640
Administrative building and improvements	155,619	153,159	2,460
Paving and parking lot	16,073	16,073	-
Playground improvements and equipment	18,162	15,890	2,272
Furniture and fixtures	59,463	58,101	1,362
Office equipment	151,741	144,804	6,937
Vehicles	<u>12,589</u>	<u>36,604</u>	<u>(24,015)</u>
Total	1,106,898	1,111,242	(4,344)
Accumulated depreciation	<u>(738,453)</u>	<u>(732,366)</u>	<u>(6,086)</u>
Property and Equipment	<u>\$ 368,446</u>	<u>378,876</u>	<u>( 10,430)</u>

### NOTE 4 - DESIGNATED NET ASSETS

#### Endowment Purposes

The Board of Directors has set aside the accumulation of funds donated and bequeathed to the Organization with no restrictions to be used at their discretion. It is the intention of the Board to use only the earnings from the funds to purchase property and equipment and to subsidize program expenditures in excess of program revenue.

#### Post-Secondary Education

During a prior year, a bequest from the Russell E. Fricke Estate, in memory of Elizabeth D. Fricke, was received in the amount of \$10,000, of which \$2,500 was internally designated to support post-secondary educational programs pursued by children adopted through the Society. Currently, the amount designated is \$8,445 including interest earned to date.

### NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

During a prior year, the Organization received a bequest to be used specifically for necessities of parents who adopt children through the Organization, and the unexpended balance of \$4,746, including interest earned, remains *temporarily restricted* at December 31, 2014.

### NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

During the prior year, the Society made an irrevocable contribution to the Clearfield Community Charitable Foundation of \$5,000 for the purpose of establishing a *permanent* Organization Endowment. The Society is committed to building the endowment to \$25,000 within five years. After the commitment is funded, grant distributions to the Society will begin. The Foundation will distribute to the Society, at least annually, earnings of the Fund in accordance with the Foundation's policies and it is understood that no distribution of income will take place until the principal target balance of \$25,000 is attained. During the prior year, a donation of \$500 was received for the endowment. During the current year, a donation of \$10,000 was received. Currently, the amount permanently restricted is \$39,018 including interest earned and unrealized gains to date.

NOTE 7 - PROGRAM SERVICE FEES

Service fees from programs are detailed as follows:

	<u>2014</u>	<u>2013</u>
Child Care	\$ 262,057	264,833
Adoption/Foster Care	363,454	308,038
Off-Site	41,487	52,974
In Home Services	78,277	81,323
Family Support Services	<u>15,499</u>	<u>20,108</u>
Total Program Service Fees	<u>\$ 760,774</u>	<u>727,276</u>

NOTE 8 - GRANTS

During the last two years, the Organization received several program related grants that are detailed as follows:

<u>Federal, State, and Local Grants</u>	<u>2014</u>	<u>2013</u>
<u>Child Care – On Site and Off Site</u>		
Pennsylvania Department of Education - Child and <i>Adult Care Food Program</i>	\$ 33,380	32,224
PA Office of Child Development and Early Learning through Northwest Regional Key, Northwest Institute of Research – <i>Keystone Stars Quality Improvement Grants</i>	28,070	20,904
<u>Big Brothers/Big Sisters</u>		
Pennsylvania Commission on Crime and Delinquency Evidenced-Based Programs <i>Connect</i>	-	60,578
Pennsylvania Commission on Crime and Delinquency State Violence Prevention Program <i>Southern Clearfield County</i>	53,375	15,611
<u>Family Support Program</u>		
Pennsylvania Department of Public Welfare - Pennsylvania Children's Trust Fund <i>Strengthening Provider Program</i>	-	23,769
Pennsylvania Children's Trust Fund <i>Nurturing Parent Expansion Project</i>	36,935	9,385
<u>Healthy Relationships</u>		
Department of Health and Human Services, Office of Family Assistance, Healthy Relationship Project	358,047	356,479
<u>Pre-K Counts</u>		
PA Office of Child Development and Early Learning	<u>149,694</u>	<u>129,134</u>
	<u>\$ 660,251</u>	<u>649,757</u>
<u>Other Grants</u>		
Darden Restaurants, Inc. – Big Brothers/Big Sisters	\$ 1,000	-
Lightner Trust – Clearfield Bank & Trust – In Home Service	6,000	1,000
Miscellaneous – BB/BS and Child Care	<u>750</u>	<u>650</u>
	<u>\$ 7,750</u>	<u>1,650</u>

NOTE 8 – GRANTS (Continued)

The Society was awarded multi-year, cost-reimbursement grants that are included in the Federal, State, and Local Grants above and detailed as follows:

1. Pennsylvania Children's Trust Fund – Nurturing Parenting Expansion – To provide parenting classes for parents and their teens. The three year contract, totaling \$117,677, began November 1, 2013 and ends October 31, 2016 and the approved budgets are: Year 1 - \$40,000, Year 2 - \$38,308, Year 3 - \$39,369. During 2014, the Society earned \$36,935.
2. Pennsylvania Departments of Education and Public Welfare, Office of Child Development and Early Learning – Pre-K Counts Program – To defray costs incurred in providing tuition-free pre-kindergarten opportunities for eligible students from July 30, 2007 to June 30, 2008. The award is an estimated amount of \$133,620 and may be renewed for additional years at the sole option of the Department. Any unexpended funds remaining at the end of the grant period must be returned to the Department. During 2014, the program was renewed for the eighth year and the Society earned \$146,694 for eligible reimbursement costs.
3. U.S. Department of Health and Human Services, Office of Family Assistance – Healthy Relationship Project – To promote healthy marriage and responsible fatherhood by helping fathers and families build strong relationships to support the well-being of their children. The three year project period begins September 30, 2011 and ends September 29, 2015 and the contract totals \$1,064,412 and the approved budgets are: Year 1 - \$354,714, Year 2 - \$354,714, Year 3 - \$354,714. During 2014, the program was extended for a fourth year and the Society earned \$358,047 for eligible reimbursable costs.
4. Pennsylvania Commission on Crime & Delinquency – Southern Clearfield County program to expand Big Brothers Big Sisters to serve youth in Southern Clearfield County. The two year project began on July 1, 2013 and ends on June 30, 2015. Total project grant is \$97,325 for the two year period. During 2014, the Society earned \$53,375 for eligible reimbursable costs.

There were no instances of noncompliance with grant provisions found during the audit.

NOTE 9 - SPECIAL FUND RAISING EVENTS

Various fund raising events are conducted during the year to support the Organization's programs are detailed as follows:

	<u>Gross Revenue</u>	<u>Direct Expenses</u>
Administrative	\$ 1,121	1,121
Child Care	8,463	4,655
Big Brothers/Big Sisters	56,130	14,822
Children's Trust Fund	<u>5,374</u>	<u>2,684</u>
	<u>\$ 71,088</u>	<u>23,282</u>

NOTE 10 – CONCENTRATED CREDIT RISK

During the year ended December 31, 2014, the Organization held cash in various banks. The cash balances did not exceed the FDIC insured limit.

#### NOTE 11 – SUBSEQUENT EVENTS

The Society has evaluated subsequent through March 5, 2015, the date the financial statements were available to be issued, and found no instances that would require modification of the statements at December 31, 2014.

#### NOTE 12 – PENSION PLAN

During 2014, the Society provided all employees with a pension plan by adopting the Keystone Benefits Group, Inc. Multiple Employer 401(k) plan. The plan is a defined contribution plan covering all employees who have one year of service, or if earlier, 6 consecutive calendar months of employment with at least 83.33 hours of service, and are at least 21 years of age.

Each year, the participants are allowed Salary Reduction contributions that are the lesser of 100% of compensation or the annual dollar limit on salary reduction contributions, which during 2014 was \$17,500. A “catch-up contribution” was allowed for participants at least age 50 of \$5,500.

The Society may choose to make matching contributions that are not required but within its discretion. During 2014, the Society made matching contributions of \$14,889 on behalf of eligible participants

# Joseph M. Lazore

CERTIFIED PUBLIC ACCOUNTANT

317 South Main Street

DuBois, PA 15801

814-371-1980

Fax 814-371-4593

Email: [jmlazore@comcast.net](mailto:jmlazore@comcast.net)

## 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  
Children's Aid Society  
in Clearfield County  
Clearfield, PA 16830

I 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 Children's Aid Society in Clearfield County, which comprise the consolidated statement of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated February 19, 2015.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Children's Aid Society in Clearfield County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children's Aid Society in Clearfield County's internal control. Accordingly, I do not express an opinion on the effectiveness of Children's Aid Society in Clearfield County'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Children's Aid Society in Clearfield County's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests

disclosed no instances on noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DuBois, Pennsylvania  
February 19, 2015