

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

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

Years Ended December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 23, 2016 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 16, 2017

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	\$ 188,136	112,525
Accounts receivable	103,475	221,892
Grants receivable	20,570	94,697
Assets designated for endowment		
Cash	32,076	12,162
Long-term investments	753,005	660,091
Investment restricted for endowment	40,878	38,627
Property and equipment	384,132	369,056
TOTAL ASSETS	\$ 1,522,272	1,509,050
LIABILITIES		
Line of credit	\$ -	200,000
Accounts payable – vendors	20,386	10,264
Accrued payroll and taxes	2,937	13,493
Deferred revenue	-	2,650
Refundable advances	20,278	3,748
TOTAL LIABILITIES	43,601	230,155
NET ASSETS		
Unrestricted		
Designated by the Board for:		
Endowment purposes	775,052	659,638
Post-secondary education	8,529	8,464
Total Designated	783,581	668,102
Available for general activities	649,457	567,415
Total Unrestricted	1,433,038	1,235,517
Temporarily restricted	4,755	4,751
Permanently restricted	40,878	38,627
TOTAL NET ASSETS	1,478,671	1,278,895
TOTAL LIABILITIES AND NET ASSETS	\$ 1,522,272	1,509,050

The accompanying notes are an integral part of this statement.

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2016 and 2015

	2016	2015
UNRESTRICTED NET ASSETS		
Revenues, gains and other support		
Federal, state, and county grants	\$ 941,055	599,261
Other grants	16,150	7,650
Contributions, memorials and bequests	20,681	13,606
Special fund raising events	63,528	73,467
United Way allocations	14,268	14,174
Board membership fees	1,025	840
Other support	-	579
Program service fees	992,321	789,501
Investment income	29,914	29,329
Realized gains (losses)	-	(5,076)
Unrealized gains (losses) on investments	74,532	(28,601)
Recovery of bad debts	89	229
Other revenues	1,338	2,984
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	2,154,901	1,497,943
EXPENSES		
Program services	1,927,163	1,494,397
Supporting services	31,088	34,930
TOTAL EXPENSES	1,958,251	1,529,327
INCREASE IN UNRESTRICTED NET ASSETS	196,650	(31,384)
RESTRICTED NET ASSETS		
Contributions	-	100
Unrealized gain (loss)	2,236	(476)
Investment income	890	862
INCREASE IN RESTRICTED NET ASSETS	3,126	486
INCREASE IN NET ASSETS	199,776	(30,898)
NET ASSETS AT BEGINNING OF YEAR	1,278,895	1,309,793
NET ASSETS AT END OF YEAR	\$ 1,478,671	1,278,895

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, 2016 and 2015

	Program Services															Supporting Services		
	Adoption	Foster Care	Big Brothers/ Big Sisters	Child Care	Off-Site	Pre-K Counts	Real Relationships	Positive Parenting Program	Nurturing	Childrens Trust Fund	Childrens Trust Fund PPP	Relatives As Parents Program	Other Family Support	In Home Services	Total Program Services	Management and General	Total	
																	2016	2015
Compensation and related expenses:																		
Compensation	\$ 155,631	36,301	50,640	269,022	26,586	88,611	205,574	43,738	4,482	31,000	2,864	1,038	4,019	41,589	961,095	6,284	967,379	899,892
Employee benefits	29,103	5,145	7,424	14,609	3,387	12,703	29,535	6,552	464	4,682	657	162	151	8,580	123,154	2,452	125,606	126,965
Payroll taxes	11,771	2,685	3,821	21,444	1,777	6,148	15,181	3,408	330	2,513	210	76	159	3,186	72,709	1,160	73,869	72,782
	<u>196,505</u>	<u>44,131</u>	<u>61,885</u>	<u>305,075</u>	<u>31,750</u>	<u>107,462</u>	<u>250,290</u>	<u>53,698</u>	<u>5,276</u>	<u>38,195</u>	<u>3,731</u>	<u>1,276</u>	<u>4,329</u>	<u>53,355</u>	<u>1,156,958</u>	<u>9,896</u>	<u>1,166,854</u>	<u>1,099,639</u>
Small equipment	519	538	69	277	1,264	727	23,217	776	67	-	-	-	53	1,139	28,646	138	28,784	780
Professional fees	556	106	1,981	728	65	400	69,783	158	108	200	-	-	24	175	74,284	4,553	78,837	26,732
Insurance	10,077	1,684	1,153	9,414	949	2,050	5,196	1,185	92	554	35	8	359	1,384	34,140	395	34,535	31,215
IT fees	908	169	220	1,692	149	375	929	211	170	-	-	2	16	277	5,118	70	5,188	3,831
Staff recruitment	12	2	76	249	2	170	407	3	-	81	-	-	-	73	1,075	1	1,076	1,072
Utilities	1,576	367	477	10,903	852	3,084	3,243	460	29	195	45	8	140	609	21,988	149	22,137	20,170
Maintenance expense	1,643	375	478	12,147	960	4,245	3,714	458	28	212	55	13	102	610	25,040	1,088	26,128	20,523
Housekeeping supplies	292	40	49	3,865	203	809	1,592	47	4	23	-	1	17	91	7,033	141	7,174	5,626
Telephone/internet	1,568	322	1,209	2,238	308	500	4,685	410	397	145	22	4	83	1,189	13,080	98	13,178	9,378
Postage	840	264	550	257	15	197	4,554	124	24	61	8	83	203	44	7,224	968	8,192	3,305
Office supplies	2,102	347	318	1,774	105	486	17,561	896	31	99	13	3	99	152	23,986	12	23,998	8,748
Program expense	1,528	125	1,279	1,510	123	5,864	75	5,345	10	2,870	-	-	25	11	18,765	35	18,800	15,636
Office equipment costs	1,822	611	642	1,680	122	402	1,621	335	80	157	25	8	141	287	7,933	76	8,009	8,371
Foster Care & Respite payments	-	107,581	-	-	-	-	-	-	-	-	-	-	-	-	107,581	-	107,581	7,987
Membership dues	5,683	218	2,340	290	143	110	203	-	-	-	-	3	28	29	9,047	470	9,517	6,721
Subscriptions/Resource materials	70	30	17	130	11	29	52,454	16	231	515	-	-	-	97	53,600	5	53,605	4,246
Travel	19,649	3,268	6,202	291	18	198	17,417	11,287	895	2,267	768	130	634	8,716	71,740	8	71,748	64,829
Professional development	1,642	1,760	880	1,765	88	333	1,285	3,728	-	410	-	-	100	-	11,991	-	11,991	22,842
Marketing expense	9,902	5,374	421	2,952	145	506	82,333	4,921	14	365	10	2	156	262	107,363	67	107,430	30,679
Fund raising expense	-	-	11,449	1,910	-	-	-	-	-	1,549	-	-	-	-	14,908	2,729	17,637	22,454
Food	188	4	113	22,382	47	8	21,016	4	43	247	-	60	447	26	44,585	1	44,586	63,487
Events/recognition	379	-	28	561	36	1,433	-	-	28	-	-	-	-	42	2,507	224	2,731	922
Transportation	-	6,594	716	58	-	380	-	-	-	-	-	-	-	-	7,748	-	7,748	411
Inhouse printing	87	106	157	85	3	50	1,859	71	31	63	1	12	122	7	2,654	2	2,656	1,173
Stipends	-	-	-	-	-	-	23,814	-	-	810	-	-	270	-	24,894	-	24,894	11,035
Occupancy costs	-	-	-	(6,890)	-	6,890	16,697	-	-	100	-	-	50	-	16,847	-	16,847	3,928
Interest expense & bank fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	673	673	693
Other expenses	146	11	11	127	-	219	346	51	-	-	-	-	-	11	922	9	931	376
Total expenses before depreciation	257,694	174,027	92,720	375,470	37,358	136,927	604,291	84,184	7,558	49,118	4,713	1,613	7,398	68,586	1,901,657	21,808	1,923,465	1,496,809
Depreciation expense	1,026	-	534	18,339	116	1,632	3,218	-	-	-	-	-	470	171	25,506	9,280	34,786	32,518
TOTAL EXPENSES	\$ 258,720	174,027	93,254	393,809	37,474	138,559	607,509	84,184	7,558	49,118	4,713	1,613	7,868	68,757	1,927,163	31,088	1,958,251	1,529,327

The accompanying notes are an integral part of this statement

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 199,776	(30,898)
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation	34,786	32,518
Unrealized (gains) losses on investments	(75,579)	28,601
Investment income on permanent restrictions	(890)	(857)
(Increase) decrease in operating assets:		
Grants receivable	74,127	(61,754)
Accounts receivable	118,417	(168,132)
Increase (decrease) in operating liabilities:		
Accounts payable	10,122	8,333
Accrued payroll and taxes	(10,556)	7,615
Deferred revenue	(2,650)	2,650
Refundable advances	16,530	2,248
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	364,083	(179,676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(200,000)	200,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(200,000)	200,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments, net	(18,697)	(14,858)
Purchase of property and equipment	(49,861)	(33,129)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(68,558)	(47,987)
NET INCREASE (DECREASE) IN CASH	95,525	(27,663)
BEGINNING CASH	124,687	152,350
ENDING CASH	\$ 220,212	124,687

The accompanying notes are an integral part of this statement.

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 and foster care services. The Society also provides Child care services for pre-school and elementary school-age children, a Big Brothers/Big Sisters program, the Positive Parenting Program that provides parents with useful strategies to assist them in managing their children's behavior, prevent future problems and build strong and healthy relationships, the Real Relationships Project offering comprehensive marriage and relationship education and skills training to residents of Clearfield County in addition to the eight adjacent counties, 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 (FASB) Statement No 117, Financial Statements of Not-for-Profit Organizations*. Under FASB 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, 2016 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 FASB 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 FASB 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.

The Organization's evaluation on December 31, 2016 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2013 through 2015 tax years remain subject to examination by the IRS. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

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, 2016:

	<u>Cost</u>	<u>Market Value</u>
Stocks:		
6580 sh County National Bank	\$ 689	175,948
25 sh J.C. Penney	-	208
Certificate of Deposit	8,445	8,529
County National Bank – Trust Account	<u>485,623</u>	<u>568,320</u>
Total Long Term Investments	<u>\$ 494,757</u>	<u>753,006</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Program building and improvements	\$ 720,886	720,886	-
Administrative building and improvements	165,874	155,619	10,255
Paving and parking lot	16,073	16,073	-
Playground improvements and equipment	15,890	15,890	-
Furniture and fixtures	61,735	61,735	-
Office equipment	168,041	157,235	10,806
Vehicles	<u>41,839</u>	<u>12,589</u>	<u>28,800</u>
Total	1,190,339	1,140,028	49,861
Accumulated depreciation	<u>(805,757)</u>	<u>(770,971)</u>	<u>(34,786)</u>
Property and Equipment	<u>\$ 384,132</u>	<u>369,057</u>	<u>(15,075)</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 \$8,529 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 \$4,755, including interest earned, remains *temporarily restricted* at December 31, 2016.

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 prior years, donations of \$15,600 were received for the endowment and the Society transferred \$13,050 to reach the principal target. Currently, the amount permanently restricted is \$40,878 including interest earned and unrealized gains to date.

NOTE 7 - PROGRAM SERVICE FEES

Service fees from programs are detailed as follows:

	<u>2016</u>	<u>2015</u>
Child Care	\$ 283,257	276,653
Adoption	332,300	395,151
Foster Care	265,861	20,251
Off-Site	19,273	21,678
In Home Services	70,724	73,596
Family Support Services/Nurturing	<u>20,906</u>	<u>2,172</u>
Total Program Service Fees	<u>\$ 992,321</u>	<u>789,501</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>2016</u>	<u>2015</u>
<u>Child Care – On Site and Off Site</u>		
Pennsylvania Department of Education - Child and <i>Adult Care Food Program</i>	\$ 30,695	31,743
PA Office of Child Development and Early Learning through Northwest Regional Key, Northwest Institute of Research – <i>Keystone Stars Quality Improvement Grants</i>	29,360	23,010
<u>Big Brothers/Big Sisters</u>		
Pennsylvania Commission on Crime and Delinquency State Violence Prevention Program <i>Southern Clearfield County</i>	-	28,339
<u>Family Support Program</u>		
Pennsylvania Department of Public Welfare - Pennsylvania Children's Trust Fund <i>Nurturing Parent Expansion Project</i>	31,774	39,583
<u>Healthy Relationships</u>		
Department of Health and Human Services, Office of Family Assistance, Healthy Relationship Project	-	263,120
<u>Real Relationships</u>		
Department of Health and Human Services, Office of Family Assistance, Healthy Marriage Demonstration Grant	615,882	63,095
<u>Positive Parenting Program</u>		
Pennsylvania Commission on Crime & Delinquency <i>State Violence Prevention Program</i>	87,125	30,444
Pennsylvania Department of Public Welfare Pennsylvania Children's Trust Fund	4,713	-
<u>Pre-K Counts</u>		
PA Office of Child Development and Early Learning	<u>141,506</u>	<u>119,927</u>
Total Government Grants	<u>\$ 955,205</u>	<u>599,261</u>

NOTE 8 – Grants (Continued)

	<u>2016</u>	<u>2015</u>
<u>Other Grants</u>		
Clearfield County Charitable Foundation – Nurturing Parent	\$ 500	500
The Brookdale Foundation Group – Relatives as Parents Program	10,000	-
Northwest Charitable Foundation – Relatives as Parents Program	1,000	-
Lightner Trust – Clearfield Bank & Trust – In Home Service	2,000	3,000
Miscellaneous – Big Brothers/Big Sisters	<u>2,650</u>	<u>4,150</u>
	<u>\$ 16,150</u>	<u>7,750</u>

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 2016, the Society earned \$31,774. The program ended October 31, 2016.
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 \$144,500 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 2016, the program was renewed for the ninth year and the Society earned \$141,506 for eligible reimbursement costs.
3. U.S. Department of Health and Human Services, Office of Family Assistance – Real Relationships Project – To promote comprehensive marriage and relationship education and skills training to residents of Clearfield County in addition to the eight adjacent counties. The program will address participation barriers, parenting concerns, and economic and employment needs of participants through intensive case management. The project period begins September 30, 2015 and ends September 29, 2020 and the contract totals \$2,885,000 with approved budgets of \$577,000 each year. During 2016, the Society earned \$615,882 for eligible reimbursable costs.
4. Pennsylvania Commission on Crime & Delinquency – Positive Parenting Program (Triple P). The two year project began on July 1, 2015 and ends on June 30, 2017. Total project grant is \$157,633 for the two year period. During 2016, the Society earned \$87,125 for eligible reimbursable costs.
5. Pennsylvania Department of Public Welfare – Positive Parenting Program – To fund a child abuse prevention program on behalf of the Children’s Trust Fund. The project period begins November 1, 2016 and ends October 31, 2019 and the contract totals \$150,000, with approved budgets of \$50,000 each year. During 2016, the Society earned \$4,713.
6. The Brookdale Foundation Group – Rambo Trust – Relatives as Parents Program. To expand and replicate the existing RAPP program to include an additional support group in a remote, underserved area of Clearfield County. The two year contract begins November 1, 2016 and ends October 31, 2018, with funding of \$10,000 the first year and \$5,000 the second year. The grant must be expended before the end of each year.

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	\$ 2,729	2,729
Child Care	2,382	1,910
Big Brothers/Big Sisters	52,481	11,448
Children's Trust Fund	<u>3,338</u>	<u>1,549</u>
	<u>\$ 60,930</u>	<u>17,636</u>

NOTE 10 – CONCENTRATED CREDIT RISK

During the year ended December 31, 2016, 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 February 16, 2017, the date the financial statements were available to be issued, and found no instances that would require modification of the statements at December 31, 2016.

NOTE 12 – PENSION PLAN

During 2016, 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 2016 was \$18,000. A "catch-up contribution" was allowed for participants at least age 50 of \$6,000.

The Society may choose to make matching contributions that are not required but within its discretion. During 2016, the Society made matching contributions of \$17,922 on behalf of eligible participants

**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, 2016 and 2015, 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 16, 2017.

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 16, 2017