

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

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

Years Ended December 31, 2015 and 2014

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13

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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, 2015 and 2014, 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, 2015 and 2014, 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 23, 2016

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash	\$ 112,525	136,845
Accounts receivable	221,892	53,760
Grants receivable	94,697	32,943
Assets designated for endowment		
Cash	12,162	15,505
Long-term investments	660,091	672,585
Investment restricted for endowment	38,627	39,018
Property and equipment	369,056	368,446
	\$ 1,509,050	1,319,102
	\$ 1,509,050	1,319,102
LIABILITIES		
Line of credit	\$ 200,000	-
Accounts payable – vendors	10,264	1,931
Accrued payroll and taxes	13,493	5,878
Deferred revenue	2,650	-
Refundable advances	3,748	1,500
	230,155	9,309
	230,155	9,309
NET ASSETS		
Unrestricted		
Designated by the Board for:		
Endowment purposes	659,638	678,145
Post-secondary education	8,464	8,445
Total Designated	668,102	686,590
Available for general activities	567,415	579,439
Total Unrestricted	1,235,517	1,266,029
Temporarily restricted	4,751	4,746
Permanently restricted	38,627	39,018
	1,278,895	1,309,793
	1,278,895	1,309,793
TOTAL LIABILITIES AND NET ASSETS	\$ 1,509,050	1,319,102

The accompanying notes are an integral part of this statement.

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
Revenues, gains and other support		
Federal, state, and county grants	\$ 599,261	660,251
Other grants	7,650	7,750
Contributions, memorials and bequests	13,606	19,830
Donated facilities and services		300
Special fund raising events	73,467	71,088
United Way allocations	14,174	14,163
Board membership fees	840	935
Other support	579	2,065
Program service fees	789,501	760,774
Investment income	29,329	32,176
Realized gains (losses)	(5,076)	10,754
Unrealized gains (losses) on investments	(28,601)	(9,141)
Gain on sale of fixed assets	-	7,250
Recovery of bad debts	229	1,537
Other revenues	2,984	1,416
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,497,943	1,581,148
EXPENSES		
Program services	1,494,397	1,498,214
Supporting services	34,930	36,112
TOTAL EXPENSES	1,529,327	1,534,326
INCREASE IN UNRESTRICTED NET ASSETS	(31,384)	46,822
RESTRICTED NET ASSETS		
Contributions	100	10,000
Unrealized gain (loss)	(476)	2,001
Investment income	862	675
INCREASE IN RESTRICTED NET ASSETS	486	12,676
INCREASE IN NET ASSETS	(30,898)	59,498
NET ASSETS AT BEGINNING OF YEAR	1,309,793	1,250,295
NET ASSETS AT END OF YEAR	\$ 1,278,895	1,309,793

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, 2015 and 2014

	Program									Services					Supporting Services		Total	
	Adoption	Foster Care	Big Brothers/ Big Sisters	Southern Clearfield County	Child Care	Off-Site	Pre-K Counts	Healthy Relationships	Real Relationships	Positive Parenting Program	Nurturing	Childrens Trust Fund	Other Family Support	In Home Services	Total Program Services	Management and General	2015	2014
Compensation and related expenses:																		
Compensation	\$ 161,570	27,985	43,461	13,565	242,888	26,946	88,387	136,575	30,418	13,134	9,566	36,787	879	51,109	883,270	16,622	899,892	870,330
Employee benefits	31,033	4,708	7,049	2,517	14,428	3,709	14,110	20,294	7,222	2,885	1,606	5,179	78	9,965	124,783	2,182	126,965	118,565
Payroll taxes	12,755	2,113	3,454	1,130	21,127	2,186	6,571	10,880	2,289	1,056	757	2,833	67	4,213	71,431	1,351	72,782	97,150
	<u>205,358</u>	<u>34,806</u>	<u>53,964</u>	<u>17,212</u>	<u>278,443</u>	<u>32,841</u>	<u>109,068</u>	<u>167,749</u>	<u>39,929</u>	<u>17,075</u>	<u>11,929</u>	<u>44,799</u>	<u>1,024</u>	<u>65,287</u>	<u>1,079,484</u>	<u>20,155</u>	<u>1,099,639</u>	<u>1,086,045</u>
Small equipment	84	4	10	-	130	6	11	518	-	-	6	-	-	9	778	2	780	141
Professional fees	9,019	15	199	122	662	69	425	930	10,175	-	107	200	24	177	22,124	4,608	26,732	10,765
Insurance	9,116	1,417	416	808	8,849	989	1,817	3,567	1,307	233	229	809	7	1,378	30,942	273	31,215	45,772
IT fees	661	103	151	61	1,265	209	273	499	161	46	145	-	2	215	3,791	40	3,831	3,629
Staff recruitment	-	-	84	30	239	-	191	260	80	69	-	119	-	-	1,072	-	1,072	-
Utilities	1,367	211	331	122	11,181	682	3,386	1,209	319	142	75	263	3	486	19,777	393	20,170	22,182
Maintenance expense	1,307	241	393	165	9,409	598	2,839	1,607	2,684	188	100	346	5	641	20,523	-	20,523	14,596
Housekeeping supplies	243	32	-	85	4,138	148	708	125	38	14	8	27	-	50	5,616	10	5,626	4,399
Telephone/internet	1,554	193	687	532	2,178	235	482	1,320	292	128	322	236	3	1,132	9,294	84	9,378	10,557
Postage	603	26	210	170	270	23	239	1,110	234	167	-	155	54	44	3,305	-	3,305	7,226
Office supplies	1,639	48	294	283	1,538	59	213	3,061	878	238	29	197	4	223	8,704	44	8,748	14,862
Program expense	1,843	-	1,074	1,262	1,726	9	3,478	5,071	9	864	-	116	-	38	15,490	146	15,636	31,392
Equipment maintenance	1,938	123	640	370	1,695	148	426	1,614	298	184	80	425	72	289	8,302	69	8,371	8,253
Foster Care & Respite payments	104	7,883	-	-	-	-	-	-	-	-	-	-	-	-	7,987	-	7,987	442
Membership dues	1,360	-	3,447	1,494	60	60	-	-	-	-	300	-	-	-	6,721	-	6,721	5,842
Subscriptions/Resource materials	40	6	9	-	73	5	622	1,990	606	10	2	870	-	11	4,244	2	4,246	22,997
Travel	26,637	316	2,468	1,530	548	18	270	11,331	7,749	4,766	450	1,894	73	6,775	64,825	4	64,829	60,798
Professional development	1,765	-	-	598	4,024	28	657	3,360	5,475	6,705	-	100	-	130	22,842	-	22,842	10,999
Marketing expense	10,022	147	381	2,980	2,835	190	767	10,457	2,092	186	72	173	24	291	30,617	62	30,679	38,565
Fund raising expense	-	-	13,786	-	4,731	-	-	-	-	-	-	2,769	-	-	21,286	1,168	22,454	23,283
Food	79	4	41	3	28,844	6	10	32,891	15	-	1	1,321	248	9	63,472	15	63,487	62,734
Events/recognition	6	1	226	-	252	1	234	-	-	-	1	-	34	2	757	165	922	1,734
Transportation	-	-	-	-	36	83	292	-	-	-	-	-	-	-	411	-	411	1,743
Inhouse printing	38	6	72	37	72	7	39	417	23	6	43	368	30	11	1,169	4	1,173	2,407
Stipends	-	-	-	475	-	-	-	9,040	-	-	-	1,520	-	-	11,035	-	11,035	7,633
Occupancy costs	-	-	-	-	(6,890)	-	6,890	2,598	1,200	-	-	130	-	-	3,928	-	3,928	3,276
Interest expense & bank fees	-	-	12	-	-	-	-	-	-	-	-	-	-	-	12	681	693	30
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	376	376	1,923
Total expenses before depreciation	274,783	45,582	78,895	28,339	356,308	36,414	133,337	260,724	73,564	31,021	13,899	56,837	1,607	77,198	1,468,508	28,301	1,496,809	1,504,225
Depreciation expense	1,154	-	588	535	18,691	170	1,072	3,246	-	-	-	-	208	225	25,889	6,629	32,518	30,101
TOTAL EXPENSES	\$ 275,937	45,582	79,483	28,874	374,999	36,584	134,409	263,970	73,564	31,021	13,899	56,837	1,815	77,423	1,494,397	34,930	1,529,327	1,534,326

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, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (30,898)	59,498
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation	32,518	30,101
Unrealized (gains) losses on investments	28,601	7,140
Investment income on permanent restrictions	(857)	(675)
(Increase) decrease in operating assets:		
Grants receivable	(61,754)	(7,714)
Accounts receivable	(168,132)	(6,338)
Increase (decrease) in operating liabilities:		
Accounts payable	8,333	(2,173)
Accrued payroll and taxes	7,615	(538)
Deferred revenue	2,650	-
Refundable advances	2,248	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(179,676)	79,301
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	200,000	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	200,000	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments, net	(14,858)	(31,594)
Purchase of property and equipment	(33,129)	(19,671)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(47,987)	(51,265)
NET INCREASE (DECREASE) IN CASH	(27,663)	28,036
BEGINNING CASH	152,350	124,314
ENDING CASH	\$ 124,687	152,350

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* 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, 2015 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, 2015:

	<u>Cost</u>	<u>Market Value</u>
Stocks:		
6580 sh County National Bank	\$ 689	118,637
25 sh J.C. Penney	-	
	167	
Certificates		of
Deposit	8,445	8,464
County National Bank – Trust Account	<u>468,493</u>	<u>532,823</u>
Total Long Term Investments	<u>\$ 459,636</u>	<u>660,091</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>2015</u>	<u>2014</u>	<u>Change</u>
Program building and improvements	\$ 720,886	693,251	27,635
Administrative building and improvements	155,619	155,619	-
Paving and parking lot	16,073	16,073	-
Playground improvements and equipment	18,162	18,162	-
Furniture and fixtures	59,463	59,463	-
Office equipment	157,235	151,741	5,494
Vehicles	<u>12,589</u>	<u>12,589</u>	<u>-</u>
Total	1,140,027	1,106,898	33,129
Accumulated depreciation	<u>(770,971)</u>	<u>(738,453)</u>	<u>(32,518)</u>
Property and Equipment	<u>\$ 369,056</u>	<u>368,446</u>	<u>(610)</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 \$8,464 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 \$4,751, including interest earned, remains *temporarily restricted* at December 31, 2015.

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 principle target. Currently, the amount permanently restricted is \$38,627 including interest earned and unrealized gains to date.

NOTE 7 - PROGRAM SERVICE FEES

Service fees from programs are detailed as follows:

	<u>2015</u>	<u>2014</u>
Child Care	\$ 276,653	262,057
Adoption/Foster Care	415,402	363,454
Off-Site	21,678	41,487
In Home Services	73,596	78,277
Family Support Services/Nurturing	<u>2,172</u>	<u>15,499</u>
Total Program Service Fees	<u>\$ 789,501</u>	<u>760,774</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>2015</u>	<u>2014</u>
<u>Child Care – On Site and Off Site</u>		
Pennsylvania Department of Education - Child and <i>Adult Care Food Program</i>	\$ 31,743	33,380
PA Office of Child Development and Early Learning through Northwest Regional Key, Northwest Institute of Research – <i>Keystone Stars Quality Improvement Grants</i>	23,010	28,070
<u>Big Brothers/Big Sisters</u>		
Pennsylvania Commission on Crime and Delinquency State Violence Prevention Program <i>Southern Clearfield County</i>	28,339	53,375
<u>Family Support Program</u>		
Pennsylvania Department of Public Welfare - Pennsylvania Children's Trust Fund <i>Nurturing Parent Expansion Project</i>	39,583	36,935
<u>Healthy Relationships</u>		
Department of Health and Human Services, Office of Family Assistance, Healthy Relationship Project	263,120	358,047
<u>Real Relationships</u>		
Department of Health and Human Services, Office of Family Assistance, Healthy Marriage Demonstration Grant	63,095	-
<u>Positive Parenting Program</u>		
Pennsylvania Commission on Crime & Delinquency State Violence Prevention Program	30,444	-
<u>Pre-K Counts</u>		
PA Office of Child Development and Early Learning	<u>119,927</u>	<u>149,694</u>
	<u>\$ 599,261</u>	<u>660,251</u>
<u>Other Grants</u>		
Clearfield County Charitable Foundation – Nurturing Parent	\$ 500	-
Lightner Trust – Clearfield Bank & Trust – In Home Service	3,000	6,000
Miscellaneous – Big Brothers/Big Sisters	<u>4,150</u>	<u>1,750</u>
	<u>\$ 7,650</u>	<u>7,750</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 2015, the Society earned \$39,853.
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 2015, the program was renewed for the eighth year and the Society earned \$119,927 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 during 2015 the Society earned \$263,120 for eligible reimbursable costs. The program ended September 29, 2015
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.
5. U.S. Department of Health and Human Services, Office of Family Assistance – Real Relationships Project – Offer comprehensive marriage and relationship education and skills training to residents of Clearfield County in addition to the eight adjacent counties. The five year project period begins September 30, 2015 and ends September 29, 2020 for a contract total of \$2,885,000. The agency will receive \$577,000 each of the five years. During 2015 the agency earned \$63,095 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	\$ 1,168	1,168
Child Care	5,429	4,731
Big Brothers/Big Sisters	58,760	13,786
Children’s Trust Fund	<u>4,553</u>	<u>2,769</u>
	<u>\$ 69,910</u>	<u>22,454</u>

NOTE 10 – CONCENTRATED CREDIT RISK

During the year ended December 31, 2015, 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 24, 2016, the date the financial statements were available to be issued, and found no instances that would require modification of the statements at December 31, 2015.

NOTE 12 – PENSION PLAN

During 2015, 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 2015 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 2015, the Society made matching contributions of \$13,223 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, 2015 and 2014, 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 23, 2016.

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.

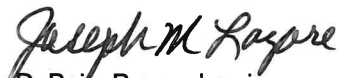
Compliance and Other Matters

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 23, 2016