

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

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

Years Ended December 31, 2018 and 2017

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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 financial statements of Children's Aid Society in Clearfield County (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 financial statements referred to above present fairly, in all material respects, the financial position of Children's Aid Society in Clearfield County as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity 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, 2018 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
March 2019

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash	\$ 232,914	193,295
Accounts receivable	57,807	73,817
Grants receivable	15,874	39,671
Equipment deposits	21,284	-
Assets designated by the board:		
Cash	43,344	22,248
Long-term investments	700,497	747,647
Investment restricted for endowment	43,451	45,899
Property and equipment, net	511,405	540,317
TOTAL ASSETS	\$ 1,626,576	1,662,894
LIABILITIES		
Accounts payable – vendors	15,085	19,756
Accrued payroll and taxes	3,906	3,427
Deferred revenue	-	3,000
Refundable advances	22,350	8,353
TOTAL LIABILITIES	41,341	34,536
NET ASSETS		
Without donor restrictions	1,536,861	1,577,633
With donor restrictions	48,374	50,725
TOTAL NET ASSETS	1,585,235	1,628,358
TOTAL LIABILITIES AND NET ASSETS	\$ 1,626,576	1,662,894

The accompanying notes are an integral part of this statement.

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
OPERATING ACTIVITIES				
Revenues, gains and other support				
Federal, state, and county grants	\$ 867,751	-	867,751	931,360
Other grants	12,605	-	12,605	15,888
Contributions				
Beneficiary distribution - Kurtz Community Fund	8,969	-	8,969	1,578
Beneficiary distribution - Ann H. Soult Memorial Fund	6,062	-	6,062	4,605
Educational Improvement Tax Credit Program	5,000	-	5,000	-
Other	37,343	-	37,343	15,571
In-kind donations	13,211		13,211	
Special fund raising events	50,715	-	50,715	51,377
United Way allocations	10,809	-	10,809	13,426
Board membership fees	655	-	655	570
Other support	7,376	-	7,376	8,637
Program service fees	1,097,085	-	1,097,085	1,069,534
Interest	332	97	429	257
Other revenues	378	-	378	463
Total Revenues and Other Support	2,118,291	97	2,118,388	2,113,266
EXPENSES				
Program services	2,052,891		2,052,891	2,015,602
Supporting services	65,083		65,083	41,489
Total Expenses	2,117,974	-	2,117,974	2,057,091
Change In Net Assets From Operations	317	97	414	56,175
NONOPERATING ACTIVITIES				
Investment return, net	(42,241)	(1,296)	(43,537)	93,512
Total Nonoperating activities	(42,241)	(1,296)	(43,537)	93,512
Other changes in net assets				
Income Distribution	1152	(1,152)	-	-
Change In Net Assets	(40,772)	(2,351)	(43,123)	149,687
NET ASSETS AT BEGINNING OF YEAR	1,577,633	50,725	1,628,358	1,478,671
NET ASSETS AT END OF YEAR	\$ 1,536,861	48,374	1,585,235	1,628,358

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, 2018 and 2017

	Program Services												Supporting Services	Total		
	Adoption	Foster Care	Youth Mentoring	Child Care	Off-Site	Pre-K Counts	Real Relationships	Family Support Services	Childrens Trust Fund - PPP	Relatives As Parents Program	Positive Parenting - Jefferson Co.	In Home Services	Total Program Services	Management and General	2018	2017
Compensation and related expenses:																
Compensation	\$ 181,386	91,890	53,341	306,856	24,526	91,152	230,449	7,842	35,347	8,148	39,356	39,806	1,110,099	20,523	1,130,622	1,041,763
Employee benefits	28,755	13,308	7,430	17,186	2,709	14,158	32,788	256	5,324	1,121	6,110	6,323	135,468	2,908	138,376	110,124
Payroll taxes	14,078	7,134	4,233	24,091	1,575	7,098	17,748	581	2,728	629	3,127	3,184	86,206	1,566	87,772	79,394
	<u>224,219</u>	<u>112,332</u>	<u>65,004</u>	<u>348,133</u>	<u>28,810</u>	<u>112,408</u>	<u>280,985</u>	<u>8,679</u>	<u>43,399</u>	<u>9,898</u>	<u>48,593</u>	<u>49,313</u>	<u>1,331,773</u>	<u>24,997</u>	<u>1,356,770</u>	<u>1,231,281</u>
Small equipment	845	2,520	122	2,257	10	40	6,053	200	-	15	-	1,518	13,580	1,935	15,515	4,727
Professional fees	527	273	2,206	760	16	500	49,100	9	171	27	150	87	53,826	1,099	54,925	58,892
Insurance	7,636	3,989	1,230	8,397	738	1,796	5,074	36	678	129	874	777	31,354	4,677	36,031	34,829
IT fees	1,890	871	507	4,030	193	1,102	4,692	390	-	34	256	408	14,373	87	14,460	13,431
Staff recruitment	-	-	-	25	-	-	317	-	-	-	-	-	342	914	1,256	978
Utilities	2,008	928	629	10,751	800	3,641	3,248	19	401	70	521	532	23,548	160	23,708	21,839
Maintenance expense	2,606	1,256	714	16,085	1,087	5,077	3,003	21	430	84	558	638	31,559	66	31,625	26,688
Housekeeping supplies	138	102	37	6,478	343	1,555	212	1	24	4	64	37	8,995	10	9,005	9,517
Telephone/internet	1,128	1,302	834	2,124	145	466	3,738	9	176	33	557	1,190	11,702	84	11,786	13,336
Postage	1,668	548	358	293	12	189	1,957	8	121	6	246	26	5,432		5,432	6,815
Office supplies	1,623	984	171	1,128	45	621	5,527	10	148	20	748	222	11,247	318	11,565	15,189
Program expense	1,585	383	774	3,465	54	5,581	(204)	878	2,152	132	2,144	27	16,971	4,854	21,825	14,303
Office equipment costs	2,501	890	514	1,649	84	442	1,678	34	180	57	287	350	8,666	45	8,711	8,378
Foster Care & Respite payments	-	138,876	-	-	-	-	-	-	-	-	-	-	138,876		138,876	150,296
Membership dues	880	1,357	2,493	108	108	12	165	326	-	-	-	-	5,449	860	6,309	7,288
Subscriptions/Resource materials	329	3	2	713	1	173	14,930	272	-	-	-	1	16,424	399	16,823	34,061
Travel	14,166	7,842	2,223	643	23	84	15,577	1,240	1,744	620	6,382	1,698	52,242	35	52,277	63,619
Professional development/travel	3,969	3,712	24	1,791	97	2,036	12,596	505	5,452	-	4,072	573	34,827	21	34,848	46,171
Marketing expense	9,683	4,808	318	2,163	124	1,777	29,055	4	3,488	92	6,165	119	57,796	489	58,285	89,290
Fundraising expense	-	-	7,526	2,326	-	-	-	-	(324)	-	-	-	9,528	1,171	10,699	15,008
Food	798	738	96	24,459	6	57	44,151	92	-	340	-	10	70,747	2	70,749	83,810
Events/recognition	114	39	-	886	1	1,123	-	4	-	-	-	39	2,206	527	2,733	2,592
Transportation	-	2,243	-	185	-	462	-	-	-	-	-	-	2,890	8,293	11,183	1,076
Inhouse printing	544	130	379	76	3	17	648	25	133	29	25	4	2,013	1	2,014	1,770
Stipends	-	-	-	-	-	-	47,878	-	-	-	-	-	47,878		47,878	33,130
Software	26	15	7	879	47	204	36	1	5	1	6	7	1,234	4	1,238	779
Occupancy costs	95	-	-	(6,890)	-	6,890	5,401	-	-	-	-	-	5,496		5,496	22,372
In-kind goods and services	-	-	-	-	-	-	-	884	12,326	-	-	-	13,210		13,210	6,958
Interest expense & bank fees	-	-	82	-	-	-	-	-	-	-	-	-	82		82	161
Total expenses before depreciation	278,978	286,141	86,250	432,914	32,747	146,253	535,817	13,647	70,704	11,591	71,648	57,576	2,024,266	51,048	2,075,314	2,018,584
Depreciation expense	1,657	593	805	19,214	416	1,216	2,539	423	444	416	486	416	28,625	14,035	42,660	38,507
TOTAL EXPENSES	\$ 280,635	286,734	87,055	452,128	33,163	147,469	538,356	14,070	71,148	12,007	72,134	57,992	2,052,891	65,083	2,117,974	2,057,091

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (40,772)	149,687
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	42,660	38,507
Net investment return on quasi endowment	42,241	(41,389)
Net Investment return on permanent restrictions	1,296	(942)
(Increase) decrease in operating assets:		
Grants receivable	23,797	(19,101)
Accounts receivable	16,020	29,658
Equipment deposits	(21,284)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(4,671)	(630)
Accrued payroll and taxes	479	490
Deferred revenue	(3,000)	3,000
Refundable advances	13,997	(11,925)
	70,763	147,355
NET CASH PROVIDED BY OPERATING ACTIVITIES		
	70,763	147,355
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments, net	(23,796)	36,567
Purchase of property and equipment	13,748	(188,591)
	(10,048)	(152,024)
NET CASH (USED) BY INVESTING ACTIVITIES		
	(10,048)	(152,024)
NET INCREASE (DECREASE) IN CASH	60,715	(4,669)
BEGINNING CASH	215,543	220,212
ENDING CASH	\$ 276,258	215,543

The accompanying notes are an integral part of this statement.

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Note 1 – Description of the Organization

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.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The financial statements of Children's Aid Society in Clearfield County have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable Children's Aid Society in Clearfield County's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and cash equivalents – The Organization's cash consists of cash on hand and on deposit with banks. Cash equivalents, when held, represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Concentration of credit risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. These accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Note 2 – Summary of Significant Accounting Policies (continued)

Accounts receivable – Management believes that accounts receivable at December 31, 2018 are primarily collectible and, therefore, provides no allowance for uncollectible accounts. The direct write-off method of recording uncollectible accounts is used.

Property and equipment – Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The useful lives range from five to forty years. The Organization's policy is to capitalize renewals or betterments acquired for greater than \$1,000 and expense normal repairs and maintenance as incurred.

Investments – Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statement of activities.

Fair value measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date.

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

In-kind donations – The Organization received donated professional services of \$13,211 for the year ended December 2018. Such amounts are based upon information provided by the third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and functional expenses.

Several volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Functional expenses - The cost of providing program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

Use of estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes – The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncement – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 – Availability and Liquidity – The following represents Children’s Aid Society in Clearfield County’s financial assets at December 31, 2018 and 2017:

Financial assets at year end:	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 286,258	\$ 215,543
Accounts and grants receivable	73,681	113,488
Prepaid equipment payments	21,284	-
Investments	<u>700,497</u>	<u>747,647</u>
Total financial assets	1,081,720	1,076,678
Less amounts not available to be used within one year:		
Net assets with donor restrictions	48,374	50,725
Quasi endowment established by the board	<u>743,841</u>	<u>769,895</u>
	<u>792,215</u>	<u>820,620</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 289,505</u>	<u>\$ 256,058</u>

The Organization has a \$200,000 line of credit available to meet cash flow needs.

Note 4 - Investments

The following is a summary of investments at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Stocks	\$ 151,037	\$ 172,739
Certificate of deposit	8,727	8,624
County National Bank – Trust Account	<u>540,733</u>	<u>566,285</u>
	<u>\$ 700,497</u>	<u>\$ 747,647</u>

Note 5 – Property and Equipment

Property and equipment, net consisted of the following at December 31, 2018 and 2017

:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Child Care building and improvements	\$ 717,944	\$ 717,944	\$ -
Virginia Street building and improvements	147,391	145,690	1,701
Administrative building and improvements	179,699	179,699	-
Land Improvements	12,047	-	12,047
Paving and parking lot	16,073	16,073	-
Playground improvements and equipment	22,056	22,056	-
Furniture and fixtures	61,735	61,735	-
Office equipment	177,470	177,470	-
Vehicles	<u>51,325</u>	<u>51,325</u>	-
Total	1,385,740	1,371,992	13,748
Accumulated depreciation	<u>(874,335)</u>	<u>(831,675)</u>	<u>(42,660)</u>
Property and Equipment	<u>\$ 511,405</u>	<u>\$ 540,317</u>	<u>\$ 28,912</u>

Note 6 – Net Assets

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Specific Purpose:		
Adoption	\$ 4,923	\$ 4,826
Endowment	<u>43,451</u>	<u>45,899</u>
Total	<u>\$ 48,374</u>	<u>\$ 50,725</u>

Net assets without donor restrictions for the years ended December 21, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 793,020	\$ 807,738
Quasi endowment	<u>743,841</u>	<u>769,895</u>
Total	<u>\$ 1,536,861</u>	<u>\$ 1,577,633</u>

Note 7 – Program Service Fees

Service fees from programs are detailed as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Child Care	\$ 358,832	\$ 316,418
Adoption	341,607	323,078
Foster Care	318,585	366,311
Off-Site	10,888	9,317
In Home Services	46,293	35,212
Family Support Services/Nurturing	<u>20,880</u>	<u>19,198</u>
Total Program Service Fees	<u>\$ 1,097,085</u>	<u>\$ 1,069,534</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>2018</u>	<u>2017</u>
<u>Child Care – On Site and Off Site</u>		
Pennsylvania Department of Education - Child and <i>Adult Care Food Program</i>	\$ 33,454	\$ 29,634
PA Office of Child Development and Early Learning through Northwest Regional Key, Northwest Institute of Research – <i>Keystone Stars Quality Improvement Grants</i>	13,214	21,743
<u>Real Relationships</u>		
Department of Health and Human Services, Office of Family Assistance, Healthy Marriage Demonstration Grant	559,545	605,043
<u>Positive Parenting Program</u>		
Pennsylvania Commission on Crime & Delinquency <i>State Violence Prevention Program</i>	-	40,094
Pennsylvania Department of Public Welfare Pennsylvania Children's Trust Fund	40,529	54,553
Positive Parenting Program		
Pennsylvania Commission on Crime & Delinquency <i>State Violence Prevention Program – Jefferson County</i>	74,535	28,421
<u>Pre-K Counts</u>		
PA Office of Child Development and Early Learning	<u>146,474</u>	<u>151,872</u>
Total Government Grants	<u>\$ 867,751</u>	<u>\$ 931,360</u>
<u>Other Grants</u>		
First Energy Service Company	\$ 1,900	
Walmart Foundation - RAPP	1,500	
Walmart Foundation – Youth Mentoring	1,000	
A.J. Palumbo Trust – Youth Mentoring	5,000	
CAF America – Youth Mentoring	1,200	
DIAKON – Adoption	1,458	
Miscellaneous	547	
	<u>\$ 12,605</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 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, 2017 to June 30, 2018. The award is an estimated amount of \$153,000 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 2018, the program was renewed for the eleventh year. The Society earned \$146,474 for eligible reimbursement costs during 2018.

Note 8 – Grants (continued)

2. Pennsylvania Commission on Crime & Delinquency – State Violence Prevention Program – To meet the need for additional parenting programs in rural Jefferson County using the Level 4 Standard, Standard Teen, and possibly Level 4 Group Triple P- Positive Parenting Program to provide parents with useful family management. The award is for \$150,000 and begins July 1, 2017 to June 30, 2019 with approved budgets of \$75,000 for each year. During 2018, the Society earned \$74,535.
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 2018, the Society earned \$559,545 for eligible reimbursable costs.
4. 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 2018, the Society earned \$40,529.

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

Note 9 - Contributions

During 2018, the Organization received donations from the Clearfield County Charitable Foundation (CCCF). Children’s Aid Society in Clearfield County was named as beneficiary of the CCCF Kurtz Community Fund, which was established by Robert M. Kurtz, Jr. to benefit Clearfield County and its environs through grants made to deserving and qualified non-profit corporations. The Kurtz Community Fund was established with CCCF and held by CBT Bank. Children’s Aid Society in Clearfield County was named as a beneficiary to receive 20% of the income distribution annually and for 2018 the amount was \$8,969. The support will continue as long as the Society remains charitable, necessary and their mission possible to accomplish. The fair market value of the Kurtz Community Fund at December 31, 2018 was \$2,592,683.

Children’s Aid Society in Clearfield County was also named as a beneficiary of the CCCF Ann H. Soult Memorial Donor Advised Fund established by John G. Soult in memory of Ann H. Soult. The Fund was established with CCCF and held by CBT Bank. Children’s Aid Society in Clearfield County is to receive 50% of the income distribution annually and for 2018 the amount was \$6,062. The support will continue as long as their purpose remains charitable, necessary and possible to accomplish. The fair market value of the Ann H. Soult Memorial Donor Advised Fund at December 31, 2018 was \$540,467.

Note 10 – Special Fund Raising Events

Various fund raising events were conducted during 2018 to support the Organization's programs and are detailed as follows:

	<u>Gross Revenue</u>	<u>Direct Expenses</u>
Administrative	\$ 1,171	\$ 847
Child Care	3,558	2,326
Youth Mentoring	43,545	7,526
Children’s Trust Fund	<u>2,441</u>	<u>-</u>
	<u>\$ 50,715</u>	<u>\$ 10,699</u>

Note 11 – Subsequent Events

The Society has evaluated subsequent through March 11, 2019, the date the financial statements were available to be issued, and found no instances that would require modification of the statements at December 31, 2018.

NOTE 12 – PENSION PLAN

During 2017, 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 each month, and are at least 21 years of age.

The Society may choose to make matching contributions that are not required but within its discretion. During 2018, the Society made matching contributions of \$19,037 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, 2018 and 2017, 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 March 8, 2019.

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 of 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
March 8, 2019