

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

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

Years Ended December 31, 2019 and 2018

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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, 2019 and 2018, and the related 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, 2019 and 2018, 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 25, 2020 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

Joseph M. Lazore

DuBois, Pennsylvania
February 25, 2020

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash	\$ 237,707	232,914
Accounts receivable	123,090	57,807
Grants receivable	26,922	15,874
Deposits on fixed assets	20,781	21,284
Assets designated by the board:		
Cash	78,979	43,344
Long-term investments	864,609	700,497
Investment restricted for endowment	52,601	43,451
Property and equipment, net	524,250	511,405
TOTAL ASSETS	\$ 1,928,939	1,626,576
LIABILITIES		
Accounts payable	\$ 20,885	15,085
Accrued payroll and taxes	4,016	3,906
Refundable advances	36,176	22,350
TOTAL LIABILITIES	61,077	41,341
NET ASSETS		
Without donor restrictions	1,789,419	1,528,134
With donor restrictions	78,443	57,101
TOTAL NET ASSETS	1,867,862	1,585,235
TOTAL LIABILITIES AND NET ASSETS	\$ 1,928,939	1,626,576

The accompanying notes are an integral part of this statement.

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues, gains and other support			
Federal, state, and county grants	\$ 943,905	-	943,905
Other grants	18,375	-	18,375
Contributions			
Beneficiary distribution - Kurtz Community Fund	11,774	-	11,774
Beneficiary distribution - Ann H. Soutl Memorial Fund	6,028	-	6,028
Beneficiary distribution - Other	36,415	12,000	48,415
In-kind donations	12,969		12,969
Special fund raising events	33,942	-	33,942
United Way allocations	8,756	-	8,756
Board membership fees	530	-	530
Other support	11,391	-	11,391
Program service fees	1,443,477	-	1,443,477
Interest and dividends	4,310	1,324	5,634
Other revenues	7	-	7
Total Revenues and Other Support	2,531,879	13,324	2,545,203
EXPENSES			
Program services	2,332,633		2,332,633
Supporting services	87,120		87,120
Total Expenses	2,419,753	-	2,419,753
Change In Net Assets From Operations	112,126	13,324	125,450
NONOPERATING ACTIVITIES			
Investment return, net	148,201	8,976	157,177
Total Nonoperating activities	148,201	8,976	157,177
Other changes in net assets			
Income Distribution	958	(958)	-
Change In Net Assets	261,285	21,342	282,627
NET ASSETS AT BEGINNING OF YEAR	1,528,134	57,101	1,585,235
NET ASSETS AT END OF YEAR	\$ 1,789,419	78,443	1,867,862

The accompanying notes are an integral part of this statement.

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

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues, gains and other support			
Federal, state, and county grants	\$ 867,751	-	867,751
Other grants	12,605	-	12,605
Contributions			
Beneficiary distribution - Kurtz Community Fund	8,969	-	8,969
Beneficiary distribution - Ann H. Soutl Memorial Fund	6,062	-	6,062
Educational Improvement Tax Credit Program	5,000	-	5,000
Other	37,343	-	37,343
In-kind donations	13,211	-	13,211
Special fund raising events	50,715	-	50,715
United Way allocations	10,809	-	10,809
Board membership fees	655	-	655
Other support	7,376	-	7,376
Program service fees	1,097,085	-	1,097,085
Interest	332	97	429
Other revenues	378	-	378
Total Revenues and Other Support	2,118,291	97	2,118,388
EXPENSES			
Program services	2,052,891		2,052,891
Supporting services	65,083		65,083
Total Expenses	2,117,974	-	2,117,974
Change In Net Assets From Operations	317	97	414
NONOPERATING ACTIVITIES			
Investment return, net	(42,241)	(1,296)	(43,537)
Total Nonoperating activities	(42,241)	(1,296)	(43,537)
Other changes in net assets			
Income Distribution	1152	(1,152)	-
Change In Net Assets	(40,772)	(2,351)	(43,123)
NET ASSETS AT BEGINNING OF YEAR	1,568,906	59,452	1,628,358
NET ASSETS AT END OF YEAR	\$ 1,528,134	57,101	1,585,235

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, 2019

	Program						
	Adoption	Foster Care	Youth Mentoring	Child Care	Off-Site	Pre-K Counts	Real Relationships
Compensation and related expenses:							
Compensation	\$ 206,283	118,167	48,565	330,926	21,033	115,210	233,234
Employee benefits	37,064	21,464	7,639	19,549	2,943	16,906	37,942
Payroll taxes	16,882	9,740	4,049	27,920	1,679	9,391	19,121
	<u>260,229</u>	<u>149,371</u>	<u>60,253</u>	<u>378,395</u>	<u>25,655</u>	<u>141,507</u>	<u>290,297</u>
Small equipment	1,240	1,390	23	2,920	51	822	1,295
Professional fees	9,567	428	225	953	21	500	49,100
Insurance	8,088	4,735	993	7,649	596	1,798	4,541
IT fees	741	609	82	855	66	456	578
Staff recruitment	41	454	282	98	5	17	490
Utilities	2,084	1,099	597	10,841	816	4,485	3,278
Maintenance expense	1,815	1,105	396	8,060	651	2,777	2,971
Housekeeping supplies	268	142	69	6,086	251	725	702
Telephone/internet	1,523	1,514	510	2,226	164	552	3,375
Postage	1,658	700	479	358	19	184	306
Office supplies	1,788	999	215	1,533	60	1,185	3,346
Program expense	1,797	498	440	4,119	9	4,801	3,352
Office equipment costs	1,769	730	265	1,455	85	621	1,670
Foster Care & Respite payments	-	221,139	-	-	-	-	-
Membership dues	1,840	557	75	120	108	-	75
Subscriptions/Resource materials	79	108	-	812	-	181	22,410
Travel	17,122	11,921	675	455	9	107	18,215
Professional development/travel	1,724	1,001	-	1,822	-	2,143	9,243
Marketing expense	8,082	2,565	605	3,698	147	1,535	41,866
Fundraising expense	-	-	8,996	-	-	-	-
Food	711	244	161	23,367	3	221	44,391
Events/recognition	-	-	180	206	-	583	-
Transportation	-	2,737	-	11	-	645	-
Inhouse printing	488	118	153	29	1	11	283
Stipends	-	-	-	-	-	-	53,560
Software	323	180	509	801	45	180	514
Occupancy costs	-	-	-	-	-	-	5,450
In-kind goods and services	-	-	-	-	-	-	-
Interest expense & bank fees	-	-	-	40.00	-	-	-
	<u>322,977</u>	<u>404,344</u>	<u>76,183</u>	<u>456,909</u>	<u>28,762</u>	<u>166,036</u>	<u>561,308</u>
Total expenses before depreciation							
Depreciation expense	1,500	616	836	19,794	433	433	1,972
	<u>1,500</u>	<u>616</u>	<u>836</u>	<u>19,794</u>	<u>433</u>	<u>433</u>	<u>1,972</u>
TOTAL EXPENSES	\$ 324,477	404,960	77,019	476,703	29,195	166,469	563,280

The accompanying notes are an integral part of this statement

Services							Supporting Services	
Family Support Services	Childrens Trust Fund - PPP	Positive Parenting - Jefferson Co.	Positive Parenting- Centre County	Parents as Teachers	In Home Services	Total Program Services	Management and General	Total
29,449	33,321	21,356	13,229	9,448	55,620	1,235,841	32,870	1,268,711
3,458	4,970	3,514	2,742	2,252	10,237	170,680	5,793	176,473
2,298	2,714	1,793	1,142	808	4,767	102,304	2,664	104,968
35,205	41,005	26,663	17,113	12,508	70,624	1,508,825	41,327	1,550,152
532	3	4	-	-	32	8,312	1,494	9,806
3,886	180	150	-	-	82	65,092	1,217	66,309
582	549	393	338	-	1,249	31,511	4,924	36,435
174	-	7	-	-	125	3,693	147	3,840
1	7	9	-	-	13	1,417	6	1,423
283	228	205	204	-	666	24,786	274	25,060
235	207	208	129	-	564	19,118	1,029	20,147
38	25	25	19	-	73	8,423	65	8,488
449	142	248	307	-	1,764	12,774	278	13,052
98	133	243	22	14	46	4,260	564	4,824
149	638	118	36	27	167	10,261	106	10,367
3,702	3,551	6,223	3,960	777	221	33,450	5,025	38,475
128	149	107	63	43	262	7,347	-	7,347
-	-	-	-	-	-	221,139	-	221,139
325	-	-	-	-	-	3,100	800	3,900
-	-	108	-	-	-	23,698	399	24,097
2,501	1,607	2,428	1,388	302	3,061	59,791	46	59,837
2,961	7,756	9,185	2,465	15	-	38,315	405	38,720
546	632	(380)	671	96	342	60,405	606	61,011
376	-	-	-	-	-	9,372	1,342	10,714
202	-	-	-	-	7	69,307	56	69,363
-	-	-	-	-	-	969	399	1,368
-	-	-	-	-	-	3,393	9,892	13,285
5	136	2	1	-	4	1,231	2	1,233
-	-	-	-	0	-	53,560	49	53,609
119	-	-	-	-	94	2,765	45	2,810
-	-	-	-	-	-	5,450	105	5,555
-	12,500	-	-	469	-	12,969	-	12,969
-	-	-	-	-	-	40	97	137
52,497	69,448	45,946	26,716	14,251	79,396	2,304,773	70,699	2,375,472
441	896	506	-	-	433	27,860	16,421	44,281
52,938	70,344	46,452	26,716	14,251	79,829	2,332,633	87,120	2,419,753

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program						
	Adoption	Foster Care	Youth Mentoring	Child Care	Off-Site	Pre-K Counts	Real Relationships
Compensation and related expenses:							
Compensation	\$ 181,386	91,890	53,341	306,856	24,526	91,152	230,449
Employee benefits	28,755	13,308	7,430	17,186	2,709	14,158	32,788
Payroll taxes	14,078	7,134	4,233	24,091	1,575	7,098	17,748
	<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>
Small equipment	845	2,520	122	2,257	10	40	6,053
Professional fees	527	273	2,206	760	16	500	49,100
Insurance	7,636	3,989	1,230	8,397	738	1,796	5,074
IT fees	1,890	871	507	4,030	193	1,102	4,692
Staff recruitment	-	-	-	25	-	-	317
Utilities	2,008	928	629	10,751	800	3,641	3,248
Maintenance expense	2,606	1,256	714	16,085	1,087	5,077	3,003
Housekeeping supplies	138	102	37	6,478	343	1,555	212
Telephone/internet	1,128	1,302	834	2,124	145	466	3,738
Postage	1,668	548	358	293	12	189	1,957
Office supplies	1,623	984	171	1,128	45	621	5,527
Program expense	1,585	383	774	3,465	54	5,581	(204)
Office equipment costs	2,501	890	514	1,649	84	442	1,678
Foster Care & Respite payments	-	138,876	-	-	-	-	-
Membership dues	880	1,357	2,493	108	108	12	165
Subscriptions/Resource materials	329	3	2	713	1	173	14,930
Travel	14,166	7,842	2,223	643	23	84	15,577
Professional development/travel	3,969	3,712	24	1,791	97	2,036	12,596
Marketing expense	9,683	4,808	318	2,163	124	1,777	29,055
Fundraising expense	-	-	7,526	2,326	-	-	-
Food	798	738	96	24,459	6	57	44,151
Events/recognition	114	39	-	886	1	1,123	-
Transportation	-	2,243	-	185	-	462	-
Inhouse printing	544	130	379	76	3	17	648
Stipends	-	-	-	-	-	-	47,878
Software	26	15	7	879	47	204	36
Occupancy costs	95	-	-	(6,890)	-	6,890	5,401
In-kind goods and services	-	-	-	-	-	-	-
Interest expense & bank fees	-	-	82	-	-	-	-
	<u>278,978</u>	<u>286,141</u>	<u>86,250</u>	<u>432,914</u>	<u>32,747</u>	<u>146,253</u>	<u>535,817</u>
Total expenses before depreciation							
Depreciation expense	1,657	593	805	19,214	416	1,216	2,539
	<u>1,657</u>	<u>593</u>	<u>805</u>	<u>19,214</u>	<u>416</u>	<u>1,216</u>	<u>2,539</u>
TOTAL EXPENSES	<u>\$ 280,635</u>	<u>286,734</u>	<u>87,055</u>	<u>452,128</u>	<u>33,163</u>	<u>147,469</u>	<u>538,356</u>

The accompanying notes are an integral part of this statement

Services						Supporting Services	
Family Support Services	Childrens Trust Fund - PPP	Relatives As Parents Program	Positive Parenting - Jefferson Co.	In Home Services	Total Program Services	Management and General	Total
7,842	35,347	8,148	39,356	39,806	1,110,099	20,523	1,130,622
256	5,324	1,121	6,110	6,323	135,468	2,908	138,376
581	2,728	629	3,127	3,184	86,206	1,566	87,772
<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>
200	-	15	-	1,518	13,580	1,935	15,515
9	171	27	150	87	53,826	1,099	54,925
36	678	129	874	777	31,354	4,677	36,031
390	-	34	256	408	14,373	87	14,460
-	-	-	-	-	342	914	1,256
19	401	70	521	532	23,548	160	23,708
21	430	84	558	638	31,559	66	31,625
1	24	4	64	37	8,995	10	9,005
9	176	33	557	1,190	11,702	84	11,786
8	121	6	246	26	5,432		5,432
10	148	20	748	222	11,247	318	11,565
878	2,152	132	2,144	27	16,971	4,854	21,825
34	180	57	287	350	8,666	45	8,711
-	-	-	-	-	138,876		138,876
326	-	-	-	-	5,449	860	6,309
272	-	-	-	1	16,424	399	16,823
1,240	1,744	620	6,382	1,698	52,242	35	52,277
505	5,452	-	4,072	573	34,827	21	34,848
4	3,488	92	6,165	119	57,796	489	58,285
-	(324)	-	-	-	9,528	1,171	10,699
92	-	340	-	10	70,747	2	70,749
4	-	-	-	39	2,206	527	2,733
-	-	-	-	-	2,890	8,293	11,183
25	133	29	25	4	2,013	1	2,014
-	-	-	-	-	47,878		47,878
1	5	1	6	7	1,234	4	1,238
-	-	-	-	-	5,496		5,496
884	12,326	-	-	-	13,210		13,210
-	-	-	-	-	82		82
<u>13,647</u>	<u>70,704</u>	<u>11,591</u>	<u>71,648</u>	<u>57,576</u>	<u>2,024,266</u>	<u>51,048</u>	<u>2,075,314</u>
<u>423</u>	<u>444</u>	<u>416</u>	<u>486</u>	<u>416</u>	<u>28,625</u>	<u>14,035</u>	<u>42,660</u>
<u>14,070</u>	<u>71,148</u>	<u>12,007</u>	<u>72,134</u>	<u>57,992</u>	<u>2,052,891</u>	<u>65,083</u>	<u>2,117,974</u>

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 282,627	(40,772)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	44,281	42,660
Unrealized gain (loss) on quasi endowment	(127,084)	63,969
Unrealized gain (loss) on permanent restrictions	(8,976)	2,400
(Increase) decrease in operating assets:		
Grants receivable	(11,048)	23,797
Accounts receivable	(65,283)	16,020
Equipment deposits	503	(21,284)
Increase (decrease) in operating liabilities:		
Accounts payable	5,800	(4,671)
Accrued payroll and taxes	110	479
Deferred revenue	-	(3,000)
Refundable advances	13,826	13,997
	134,756	93,595
NET CASH PROVIDED BY OPERATING ACTIVITIES		
	134,756	93,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments, net	(37,202)	(19,132)
Purchase of property and equipment	(57,126)	(13,748)
	(94,328)	(32,880)
NET CASH (USED) BY INVESTING ACTIVITIES		
	(94,328)	(32,880)
NET INCREASE (DECREASE) IN CASH	40,428	60,715
BEGINNING CASH	276,258	215,543
ENDING CASH	\$ 316,686	276,258

The accompanying notes are an integral part of this statement.

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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 Youth Mentoring 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, 2019 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 \$12,969 for the year ended December 2019. 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, 2019 and 2018:

Financial assets at year end:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 316,686	\$ 286,258
Accounts and grants receivable	150,012	73,681
Prepaid equipment payments	20,781	21,284
Investments	<u>917,210</u>	<u>743,948</u>
Total financial assets	1,404,689	1,125,171
Less amounts not available to be used within one year:		
Net assets with donor restrictions	78,443	57,101
Quasi endowment established by the board	<u>917,211</u>	<u>743,841</u>
	<u>995,654</u>	<u>800,942</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 409,035</u>	<u>\$ 324,229</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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Stocks	\$ 215,063	\$ 151,037
Clearfield County Charitable Foundation – Trust Account	52,601	43,451
County National Bank – Trust Account	<u>649,547</u>	<u>540,733</u>
	<u>\$ 917,211</u>	<u>\$ 743,841</u>

Note 5 – Property and Equipment

Property and equipment, net consisted of the following at December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Child Care building and improvements	\$ 730,933	\$ 717,944	\$ 12,989
Virginia Street building and improvements	155,445	147,391	8,054
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	29,636	22,056	7,580
Furniture and fixtures	61,735	61,735	-
Office equipment	187,559	177,470	10,089
Vehicles	<u>69,739</u>	<u>51,325</u>	<u>18,414</u>
Total	1,442,866	1,385,740	57,126
Accumulated depreciation	<u>(918,616)</u>	<u>(874,335)</u>	<u>(44,281)</u>
Property and Equipment	<u>\$ 524,250</u>	<u>\$ 511,405</u>	<u>\$ 12,845</u>

Note 6 – Net Assets

Net assets with donor restrictions were as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Specific Purpose:		
Sidewalk project	\$ 12,000	\$ -
Adoption/Foster Care	13,842	13,650
Endowment	<u>52,601</u>	<u>43,451</u>
Total	<u>\$ 78,443</u>	<u>\$ 57,101</u>

Net assets without donor restrictions for the years ended December 21, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Designated by the board for sidewalk project	\$ 19,120	\$ -
Undesignated	826,711	784,293
Quasi endowment	<u>943,588</u>	<u>743,841</u>
Total	<u>\$ 1,789,419</u>	<u>\$ 1,528,134</u>

Note 7 – Program Service Fees

Service fees from programs are detailed as follows:

	<u>2019</u>	<u>2018</u>
Child Care	\$ 384,424	\$ 358,832
Adoption	418,091	341,607
Foster Care	507,466	318,585
Off-Site	16,496	10,888
In Home Services	88,261	46,293
Positive Parenting Program	3,224	-
Family Support Services/Nurturing	<u>25,515</u>	<u>20,880</u>
Total Program Service Fees	<u>\$ 1,443,477</u>	<u>\$ 1,097,085</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>2019</u>	<u>2018</u>
<u>Child Care – On Site and Off Site</u>		
Pennsylvania Department of Education - Child and <i>Adult Care Food Program</i>	\$ 35,338	\$ 33,454
PA Office of Child Development and Early Learning through Northwest Regional Key, Northwest Institute of Research – <i>Keystone Stars Quality Improvement Grants</i>	11,300	13,214
<u>Real Relationships</u>		
Department of Health and Human Services, Office of Family Assistance, Healthy Marriage Demonstration Grant	577,462	559,545
<u>Positive Parenting Program</u>		
Pennsylvania Department of Public Welfare Pennsylvania Children’s Trust Fund	50,204	40,529
Pennsylvania Commission on Crime & Delinquency Jefferson County	47,044	74,535
Pennsylvania Commission on Crime & Delinquency Centre County	28,038	-
<u>Parents as Teachers Program</u>		
Pennsylvania Children’s Trust Fund	12,087	-
<u>Pre-K Counts</u>		
PA Office of Child Development and Early Learning	<u>182,432</u>	<u>146,474</u>
 Total Government Grants	 <u>\$ 943,905</u>	 <u>\$ 867,751</u>
 <u>Other Grants</u>		
Walmart Foundation – Youth Mentoring	\$ 10,000	
DIAKON – Adoption	2,375	
Clearfield County Charitable Foundation – Child Care	1,000	
Rite Aid Foundation – FSS, KidCents	<u>5,000</u>	
	<u>\$ 18,375</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, 2019 to June 30, 2020. The award is an estimated amount of \$245,000 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 2019, the program was renewed for the twelfth year. The Society earned \$182,432 for eligible reimbursement costs during 2019.

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 2019, the Society earned \$47,044.
3. Pennsylvania Commission on Crime & Delinquency – State Violence Prevention Program – To meet the need for additional individualized parenting programs in Centre County focusing on the Philipsburg Osceola Area and Bald Eagle Area School Districts. The Positive Parenting Program will provide parents with useful family management and positive behavior support strategies. The award is for \$150,000 and begins July 1, 2019 to June 30, 2021 with approved budgets of \$75,796 for year one and \$74,204 for year two. During 2019, the Society earned \$28,038 for eligible reimbursable costs.
4. 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 2019, the Society earned \$577,462 for eligible reimbursable costs.
5. Pennsylvania Children’s Trust Fund – Parents as Teachers Program – To provide primary and secondary child abuse and neglect prevention for families in Clearfield and Jefferson counties by incorporating the Parents as Teachers model into the foundation of our home visiting services. The award is for \$150,000 and begins July 1, 2019 to June 30, 2022 with approved budgets of \$50,000 each year. During 2019, the Society earned \$12,087 for eligible reimbursable costs.
6. 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 2019, the Society earned \$50,204.

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 2019 the amount was \$11,774. 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, 2019 was \$3,093,584.

Children’s Aid Society in Clearfield County was also named as a beneficiary of the CCCF Ann H. Sout Memorial Donor Advised Fund established by John G. Sout in memory of Ann H. Sout. 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 2019 the amount was \$6,028. The support will continue as long as their purpose remains charitable, necessary and possible to accomplish. The fair market value of the Ann H. Sout Memorial Donor Advised Fund at December 31, 2019 was \$656,112.

Note 10 – Special Fund Raising Events

Various fund raising events were conducted during 2019 to support the Organization's programs and are detailed as follows:

	<u>Gross Revenue</u>	<u>Direct Expenses</u>
Administrative	\$ 1,345	\$1,342
Child Care	125	-
Youth Mentoring	29,568	8,996
Children's Trust Fund	2,395	-
Family Support	<u>509</u>	<u>376</u>
	<u>\$ 33,942</u>	<u>\$ 10,714</u>

Note 11 – Subsequent Events

The Society has evaluated subsequent through February 25, 2020, the date the financial statements were available to be issued, and found no instances that would require modification of the statements at December 31, 2019.

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 2019, the Society made matching contributions of \$22,869 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, 2019 and 2018, 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 25, 2020.

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.

Joseph M. Lazore

DuBois, Pennsylvania

February 25, 2020