

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

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

Years Ended December 31, 2017 and 2016

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

Joseph M. Lazore

CERTIFIED PUBLIC ACCOUNTANT

317 South Main Street

DuBois, PA 15801

814-371-1980

Fax 814-371-4593

Email: jmlazore@comcast.net

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

I have audited the accompanying consolidated financial statements of Children's Aid Society in Clearfield County (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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, 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
February 23, 2018

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash	\$ 193,295	188,136
Accounts receivable	73,817	103,475
Grants receivable	39,671	20,570
Assets designated for endowment		
Cash	22,248	32,076
Long-term investments	747,647	753,005
Investment restricted for endowment	45,899	40,878
Property and equipment	540,317	384,132
	\$ 1,662,894	1,522,272
	\$ 1,662,894	1,522,272
LIABILITIES		
Accounts payable – vendors	\$ 19,756	20,386
Accrued payroll and taxes	3,427	2,937
Deferred revenue	3,000	-
Refundable advances	8,353	20,278
	34,536	43,601
	34,536	43,601
NET ASSETS		
Unrestricted		
Designated by the Board for:		
Endowment purposes	759,771	775,052
Post-secondary education	8,624	8,529
Total Designated	768,395	783,581
Available for general activities	809,238	649,457
Total Unrestricted	1,577,633	1,433,038
Temporarily restricted	4,826	4,755
Permanently restricted	45,899	40,878
	1,628,358	1,478,671
	1,628,358	1,478,671
TOTAL LIABILITIES AND NET ASSETS	\$ 1,662,894	1,522,272

The accompanying notes are an integral part of this statement.

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
Revenues, gains and other support		
Federal, state, and county grants	\$ 931,360	941,055
Other grants	15,888	16,150
Contributions, memorials and bequests	21,754	20,681
Special fund raising events	51,377	63,528
United Way allocations	13,426	14,268
Board membership fees	570	1,025
Other support	8,637	-
Program service fees	1,069,534	992,321
Investment income	50,283	29,914
Realized gains (losses)	1,155	-
Unrealized gains (losses) on investments	36,357	74,532
Recovery of bad debts	-	89
Other revenues	463	1,338
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	2,200,804	2,154,901
EXPENSES		
Program services	2,029,370	1,927,163
Supporting services	27,721	31,088
TOTAL EXPENSES	2,057,091	1,958,251
INCREASE IN UNRESTRICTED NET ASSETS	143,713	196,650
RESTRICTED NET ASSETS		
Unrealized gain (loss)	5,032	2,236
Investment income	942	890
INCREASE IN RESTRICTED NET ASSETS	5,974	3,126
INCREASE IN NET ASSETS	149,687	199,776
NET ASSETS AT BEGINNING OF YEAR	1,478,671	1,278,895
NET ASSETS AT END OF YEAR	\$ 1,628,358	1,478,671

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, 2017 and 2016

	Program Services													Supporting Services			
	Adoption	Foster Care	Big Brothers/ Big Sisters	Child Care	Off-Site	Pre-K Counts	Real Relationships	Family Support Services	Positive Parenting Program	Positive Parenting - Jefferson Co.	Childrens Trust Fund - PPP	Relatives As Parents Program	In Home Services	Total Program Services	Management and General	Total	
																2017	2016
Compensation and related expenses:																	
Compensation	\$ 151,380	74,416	49,373	282,316	26,791	87,914	224,811	6,952	26,789	12,919	30,305	6,349	43,459	1,023,774	17,989	1,041,763	967,379
Employee benefits	21,695	10,089	5,882	13,945	2,810	10,446	26,454	499	2,726	2,486	3,950	803	6,413	108,198	1,926	110,124	125,606
Payroll taxes	11,643	5,709	3,801	22,128	1,664	6,089	17,280	528	2,023	1,032	2,305	477	3,517	78,196	1,198	79,394	73,869
	<u>184,718</u>	<u>90,214</u>	<u>59,056</u>	<u>318,389</u>	<u>31,265</u>	<u>104,449</u>	<u>268,545</u>	<u>7,979</u>	<u>31,538</u>	<u>16,437</u>	<u>36,560</u>	<u>7,629</u>	<u>53,389</u>	<u>1,210,168</u>	<u>21,113</u>	<u>1,231,281</u>	<u>1,166,854</u>
Small equipment	41	91	14	95	7	2,393	1,242	8	-	824	-	1	8	4,724	3	4,727	28,784
Professional fees	1,429	162	1,994	601	4	500	49,186	21	150	-	180	48	131	54,406	4,486	58,892	78,837
Insurance	8,383	3,200	1,066	8,716	819	1,873	5,452	78	555	418	614	114	1,364	32,652	2,177	34,829	34,535
IT fees	1,685	942	424	3,735	246	982	4,102	242	139	214	-	37	580	13,328	103	13,431	5,188
Staff recruitment	85	-	-	-	-	448	445	-	-	-	-	-	-	978	-	978	1,076
Utilities	1,725	842	495	9,648	758	2,995	3,912	30	166	225	314	55	449	21,614	225	21,839	22,137
Maintenance expense	2,508	978	576	10,324	810	3,123	6,706	34	206	291	414	70	607	26,647	41	26,688	26,128
Housekeeping supplies	140	59	38	5,913	321	1,194	1,620	7	(177)	93	88	7	204	9,507	10	9,517	7,174
Telephone/internet	1,022	996	873	2,097	240	463	5,670	22	102	216	209	50	1,306	13,266	70	13,336	13,178
Postage	1,468	859	380	271	16	71	3,307	5	57	14	168	11	19	6,646	169	6,815	8,192
Office supplies	1,706	861	228	1,354	74	2,023	7,995	11	275	49	310	22	162	15,070	119	15,189	23,998
Program expense	1,216	378	901	1,366	39	5,770	705	137	2,100	1,570	194	8	9	14,393	(90)	14,303	18,800
Office equipment costs	2,659	1,036	412	1,571	110	396	1,463	76	102	112	125	74	242	8,378	-	8,378	8,009
Foster Care & Respite payments	-	150,296	-	-	-	-	-	-	-	-	-	-	-	150,296	-	150,296	107,581
Membership dues	2,466	637	3,028	310	124	42	149	37	-	-	-	3	20	6,816	472	7,288	9,517
Subscriptions/Resource materials	397	152	15	831	11	300	31,612	12	-	14	692	1	20	34,057	4	34,061	53,605
Travel	24,077	7,885	2,808	311	20	332	20,659	1,177	2,928	1,570	1,067	618	6,260	69,712	8	69,720	71,748
Professional development/travel	3,835	3,118	488	1,218	25	2,407	12,702	-	4,786	6,181	13,098	-	708	48,566	(2,395)	46,171	11,991
Marketing expense	9,672	3,740	520	3,547	176	603	63,452	29	61	649	6,299	177	277	89,202	88	89,290	107,430
Fundraising expense	-	-	11,133	1,300	-	-	-	-	-	-	324	-	-	12,757	2,251	15,008	17,637
Food	882	750	251	24,717	1	3	56,894	178	2	-	-	129	2	83,809	1	83,810	44,586
Events/recognition	-	-	302	374	-	1,669	-	26	-	-	-	-	-	2,371	221	2,592	2,731
Transportation	-	5,934	-	175	-	444	-	-	-	-	-	-	-	6,553	(5,477)	1,076	7,748
Inhouse printing	232	83	282	168	12	58	790	16	4	24	34	46	15	1,764	6	1,770	2,656
Stipends	-	-	-	-	-	-	33,130	-	-	-	-	-	-	33,130	-	33,130	24,894
Software	183	38	20	298	13	36	130	7	2	10	7	7	22	773	6	779	-
Occupancy costs	-	-	-	(6,890)	-	6,890	25,172	-	-	-	-	-	-	25,172	(2,800)	22,372	16,847
In-kind goods and services	-	-	-	-	-	-	-	-	-	-	6,320	-	-	6,320	638	6,958	-
Interest expense & bank fees	-	30	-	-	-	-	-	-	-	-	-	-	-	30	131	161	673
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	931
Total expenses before depreciation	<u>250,529</u>	<u>273,281</u>	<u>85,304</u>	<u>390,439</u>	<u>35,091</u>	<u>139,464</u>	<u>605,040</u>	<u>10,132</u>	<u>42,996</u>	<u>28,911</u>	<u>67,017</u>	<u>9,107</u>	<u>65,794</u>	<u>2,003,105</u>	<u>21,580</u>	<u>2,024,685</u>	<u>1,923,465</u>
Depreciation expense	<u>745</u>	<u>-</u>	<u>480</u>	<u>18,686</u>	<u>62</u>	<u>2,554</u>	<u>3,423</u>	<u>197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118</u>	<u>26,265</u>	<u>6,141</u>	<u>32,406</u>	<u>34,786</u>
TOTAL EXPENSES	\$ 251,274	273,281	85,784	409,125	35,153	142,018	608,463	10,329	42,996	28,911	67,017	9,107	65,912	2,029,370	27,721	2,057,091	1,958,251

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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 149,687	199,776
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation	32,406	34,786
Unrealized (gains) losses on investments	(41,389)	(76,768)
Investment income on permanent restrictions	(942)	(890)
(Increase) decrease in operating assets:		
Grants receivable	(19,101)	74,127
Accounts receivable	29,658	118,417
Increase (decrease) in operating liabilities:		
Accounts payable	(630)	10,122
Accrued payroll and taxes	490	(10,556)
Deferred revenue	3,000	(2,650)
Refundable advances	(11,925)	16,530
NET CASH PROVIDED BY OPERATING ACTIVITIES	141,254	362,894
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(200,000)
NET CASH (USED) BY FINANCING ACTIVITIES	-	(200,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments, net	42,668	(17,508)
Purchase of property and equipment	(188,591)	(49,861)
NET CASH (USED) BY INVESTING ACTIVITIES	(145,923)	(67,369)
NET INCREASE (DECREASE) IN CASH	(4,669)	95,525
BEGINNING CASH	220,212	124,687
ENDING CASH	\$ 215,543	220,212

The accompanying notes are an integral part of this statement.

CHILDREN'S AID SOCIETY IN CLEARFIELD COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Children's Aid Society in Clearfield County provides support, screening and educational preparation to families seeking adoption through the adoption referral network and foster care services. The Society also provides Child care services for pre-school and elementary school-age children, a Big Brothers/Big Sisters program, the Positive Parenting Program that provides parents with useful strategies to assist them in managing their children's behavior, prevent future problems and build strong and healthy relationships, the Real Relationships Project offering comprehensive marriage and relationship education and skills training to residents of Clearfield County in addition to the eight adjacent counties, and Family Support Services for parents and children.

Basis of Accounting and Presentation

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

Accounts Receivable

Management believes that accounts receivable at December 31, 2017 are primarily collectible and, therefore, provides no allowance for uncollectible accounts. The direct write-off method of recording uncollectible accounts is used.

Investments

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

Property and Equipment

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

Contributions

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

Support that is restricted by the donor is reported as an increase in unrestricted assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as *net assets released from restrictions*. Federal grant awards are classified as *refundable advances* until expended for the purposes of the grants since they are conditional promises to give.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets and Services

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

Donated services are recognized as contributions in accordance with FASB No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were donations of services, during the current year, that were recognized in the Children's Trust Fund – Positive Parenting Program that were part of the match requirement. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, various fundraising events, and various committee assignments throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met.

Expense Allocation

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

Estimates

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

Income Tax Status

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

The Organization's evaluation on December 31, 2017 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2014 through 2016 tax years remain subject to examination by the IRS. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Cash and Cash Equivalents

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

NOTE 2 - INVESTMENTS

The following details the description, cost and quoted market value of investments designated for endowment purposes at December 31, 2017:

	<u>Cost</u>	<u>Market Value</u>
Stocks:		
6580 shares of County National Bank	\$ 689	172,659
25 shares of J.C. Penney	-	79
Certificate of deposit	8,445	8,624
County National Bank – Trust Account	426,682	566,285

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Child Care building and improvements	\$ 717,944	707,061	10,883
Virginia Street building and improvements	145,690	-	145,690
Administrative building and improvements	179,699	179,699	-
Paving and parking lot	16,073	16,073	-
Playground improvements and equipment	22,056	15,891	6,165
Furniture and fixtures	61,735	61,735	-
Office equipment	177,470	168,041	9,429
Vehicles	<u>51,325</u>	<u>41,389</u>	<u>9,936</u>
Total	1,371,992	1,189,889	182,103
Accumulated depreciation	<u>(831,675)</u>	<u>(805,757)</u>	<u>(25,918)</u>
Property and Equipment	<u>\$ 540,317</u>	<u>384,132</u>	<u>156,185</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 \$8,624 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 \$4,826, including interest earned, remains *temporarily restricted* at December 31, 2017.

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

During the prior year, the Society made an irrevocable contribution to the Clearfield Community Charitable Foundation of \$5,000 for the purpose of establishing a *permanent* Organization Endowment. The Society is committed to building the endowment to \$25,000 within five years. After the commitment is funded, grant distributions to the Society will begin. The Foundation will distribute to the Society, at least annually, earnings of the Fund in accordance with the Foundation's policies and it is understood that no distribution of income will take place until the principal target balance of \$25,000 is attained. During prior years, donations of \$15,600 were received for the endowment and the Society transferred \$13,050 to reach the principal target. Currently, the amount permanently restricted is \$45,899 including interest earned and unrealized gains to date.

NOTE 7 - PROGRAM SERVICE FEES

Service fees from programs are detailed as follows:

	<u>2017</u>	<u>2016</u>
Child Care	\$316,418	283,257
Adoption	323,078	332,300
Foster Care	366,311	265,861
Off-Site	9,317	19,273
In Home Services	35,212	70,724
Family Support Services/Nurturing	<u>19,198</u>	<u>20,906</u>
Total Program Service Fees	<u>\$ 1,069,534</u>	<u>992,321</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>2017</u>	<u>2016</u>
<u>Child Care – On Site and Off Site</u>		
Pennsylvania Department of Education - Child and <i>Adult Care Food Program</i>	\$ 29,634	30,695
PA Office of Child Development and Early Learning through Northwest Regional Key, Northwest Institute of Research – <i>Keystone Stars Quality Improvement Grants</i>	21,743	29,360
<u>Family Support Program</u>		
Pennsylvania Department of Public Welfare - Pennsylvania Children’s Trust Fund <i>Nurturing Parent Expansion Project</i>	-	31,774
<u>Real Relationships</u>		
Department of Health and Human Services, Office of Family Assistance, Healthy Marriage Demonstration Grant	605,043	615,882
<u>Positive Parenting Program</u>		
Pennsylvania Commission on Crime & Delinquency <i>State Violence Prevention Program</i>	40,094	87,125
Pennsylvania Department of Public Welfare Pennsylvania Children’s Trust Fund	54,553	4,713
Positive Parenting Program		
Pennsylvania Commission on Crime & Delinquency <i>State Violence Prevention Program – Jefferson County</i>	28,421	-
<u>Pre-K Counts</u>		
PA Office of Child Development and Early Learning	<u>151,872</u>	<u>141,506</u>
Total Government Grants	<u>\$ 931,360</u>	<u>941,055</u>

NOTE 8 – Grants (Continued)

	<u>2017</u>
<u>Other Grants</u>	
Clearfield County Charitable Foundation – Positive Parenting	\$ 623
Clearfield County Charitable Foundation – Playground	500
Harmelin & Associates – Adoption	1,600
Harmelin & Associates – Foster Care	1,600
Walmart Foundation – Big Brothers/Big Sisters	6,000
Gap Foundation– Big Brothers/Big Sisters	200
Rampo Trust – RAPP	5,115
Miscellaneous – Big Brothers/Big Sisters	<u>250</u>
	<u>\$ 15,888</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, 2007 to June 30, 2008. The award is an estimated amount of \$144,500 and may be renewed for additional years at the sole option of the Department. Any unexpended funds remaining at the end of the grant period must be returned to the Department. During 2017, the program was renewed for the tenth year at an estimated \$153,000. The Society earned \$151,872 for eligible reimbursement costs during 2017.
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 2017, the Society earned \$28,421.
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 2017, the Society earned \$605,043 for eligible reimbursable costs.
4. Pennsylvania Commission on Crime & Delinquency – Positive Parenting Program (Triple P). The two year project began on July 1, 2015 and ends on June 30, 2017. Total project grant is \$157,633 for the two year period. During 2017, the Society earned \$40,094 for eligible reimbursable costs and the program ended on June 30, 2017.
5. Pennsylvania Department of Public Welfare – Positive Parenting Program – To fund a child abuse prevention program on behalf of the Children’s Trust Fund. The project period begins November 1, 2016 and ends October 31, 2019 and the contract totals \$150,000, with approved budgets of \$50,000 each year. During 2017, the Society earned \$54,553.
6. The Brookdale Foundation Group – Rampo Trust – Relatives as Parents Program. To expand and replicate the existing RAPP program to include an additional support group in a remote, underserved area of Clearfield County. The two year contract begins November 1, 2016 and ends October 31, 2018, with funding of \$10,000 the first year and \$5,000 the second year. The grant must be expended before the end of each year.

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

NOTE 9 - SPECIAL FUND RAISING EVENTS

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

	<u>Gross Revenue</u>	<u>Direct Expenses</u>
Administrative	\$ 2,218	2,251
Child Care	1,457	1,300
Big Brothers/Big Sisters	47,240	11,448
Children's Trust Fund	<u>463</u>	<u>324</u>
	<u>\$ 60,930</u>	<u>17,636</u>

NOTE 10 – CONCENTRATED CREDIT RISK

During the year ended December 31, 2017, the Organization held cash in various banks. The cash balances did not exceed the FDIC insured limit.

NOTE 11 – SUBSEQUENT EVENTS

The Society has evaluated subsequent through March 8, 2018, the date the financial statements were available to be issued, and found no instances that would require modification of the statements at December 31, 2016.

NOTE 12 – PENSION PLAN

During 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.

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 2017 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 2017, the Society made matching contributions of \$14,827 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, 2017 and 2016, 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, 2018.

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.

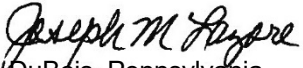
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify 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
February 23, 2018