

**FAMILY SERVICE ASSOCIATION OF  
NORTHEASTERN PENNSYLVANIA**

**YEAR ENDED JUNE 30, 2018**

**FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA**

**YEAR ENDED JUNE 30, 2018**

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Certified Public Accountants

Officers/Shareholders

William R. Lazor, CPA/PFS, CFE  
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Ronald H. Ulitchney, CPA  
Louis E. Marcin, CPA  
Jason C. Williams, CPA

## INDEPENDENT AUDITORS' REPORT

Donald M. Kronick, CPA  
Joseph J. Kalada, CPA  
Paul Berdy, CPA

Board of Directors  
Family Service Association of  
Northeastern Pennsylvania  
Wilkes-Barre, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of Family Service Association of Northeastern Pennsylvania (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and cash flows for the year 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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, we 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Service Association of Northeastern Pennsylvania, as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of programs and supporting activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Kronich Kalaska Berdy & Co., P.C.*

Kingston, Pennsylvania  
October 24, 2018

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS

Current assets:	
Cash	\$ 495,500
Accounts receivable, net of allowance for doubtful accounts of \$10,000	822,423
Prepaid expense	10,908
Due from related party	82
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Total current assets	1,328,913
	<hr/>
Cash restricted for endowment funds	25,000
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Long-term investments:	
Unrestricted	512,496
Restricted for endowment	25,313
Total long-term investments	537,809
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Furniture and equipment, net of accumulated depreciation of \$103,410	75,169
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Total assets	\$ 1,966,891
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LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 60,554
Accrued retirement plan contribution payable	87,781
Accrued payroll and vacation	92,119
Accrued expenses	11,500
Deferred revenue	109,343
Due to related party	5,750
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Total current liabilities	367,047
	<hr/>
Net assets:	
Unrestricted net assets	1,549,531
Temporarily restricted net assets	600
Permanently restricted net assets	49,713
	<hr/>
Total net assets	1,599,844
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Total liabilities and net assets	\$ 1,966,891
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See notes to financial statements

**FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
<b>Revenues and other support:</b>				
Program revenue and governmental contracts	\$ 2,816,698	\$ -	\$ -	\$ 2,816,698
Grants	140,437	-	-	140,437
United Way contributions	147,543	-	-	147,543
Other contributions	17,242	-	8,333	25,575
Special events, net of costs of direct benefits to donors of \$38,937	122,789	-	-	122,789
Other revenue	13,082	-	-	13,082
Investment return	21,824	729	-	22,553
Net assets released from restrictions, total return distribution of income	129	(129)	-	-
<b>Total revenues and other support</b>	<b>3,279,744</b>	<b>600</b>	<b>8,333</b>	<b>3,288,677</b>
<b>Expenses:</b>				
Personnel	2,299,541	-	-	2,299,541
Rent	141,210	-	-	141,210
Professional fees	106,218	-	-	106,218
Travel	89,131	-	-	89,131
Supplies	37,689	-	-	37,689
Office equipment	27,104	-	-	27,104
Telephone	26,274	-	-	26,274
Advertising	26,025	-	-	26,025
Insurance	20,041	-	-	20,041
Dues	18,944	-	-	18,944
Utilities	18,549	-	-	18,549
Conferences and conventions	16,547	-	-	16,547
Depreciation	15,832	-	-	15,832
Postage	8,832	-	-	8,832
Miscellaneous	3,864	-	-	3,864
Bank charges	2,515	-	-	2,515
Disaster recovery expense	1,340	-	-	1,340
Printing	313	-	-	313
Bank interest	227	-	-	227
<b>Total expenses</b>	<b>2,860,196</b>	<b>-</b>	<b>-</b>	<b>2,860,196</b>
Increase in net assets	419,548	600	8,333	428,481
Net assets, beginning of year	1,129,983	-	41,380	1,171,363
Net assets, end of year	<b>\$ 1,549,531</b>	<b>\$ 600</b>	<b>\$ 49,713</b>	<b>\$ 1,599,844</b>

See notes to financial statements

**FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2018**

Cash flows from operating activities:	
Increase in net assets	\$ 428,481
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	15,832
Unrealized loss on investments	786
Contributions restricted for long-term purposes	(8,333)
Changes in operating assets and liabilities:	
Accounts receivable	(149,559)
Prepaid expenses	(1,659)
Due from related party	5,058
Accrued retirement plan contribution payable	(48,457)
Pension payable	23,193
Accrued payroll and vacation	12,658
Accrued expenses	(4,000)
Deferred revenue	23,574
Due to related party	(4,250)
	293,324
Net cash provided by operating activities	
Cash flows from investing activities:	
Proceeds from the sale of investments	600
Purchase of investments	(23,719)
Purchase of furniture and equipment	(10,007)
	(33,126)
Net cash used in investing activities	
Cash flows provided by financing activities, collection of contributions restricted for long-term purposes	
	8,333
Net increase in cash and restricted cash	
	268,531
Cash and restricted cash, beginning of year	
	251,969
Cash and restricted cash, end of year	
	\$ 520,500
Supplemental disclosure of cash flow information:	
Interest paid during the year	\$ 227
Non-cash item:	
Purchase of equipment included in accounts payable	\$ 20,016

See notes to financial statements

# FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

### NOTE 1 Organization and summary of significant accounting policies

#### Nature of operations

Family Service Association of Northeastern Pennsylvania (the Association) provides casework and clinical social work services to residents of Wyoming and Luzerne Counties, Pennsylvania. In addition, the Association operates the Help Line Program, and a program of supervised visitation of children with estranged parents.

Help line is principally funded with resources from Luzerne County through a contract with the Commonwealth of Pennsylvania, Office of Human Services and must obtain contributions from other sources to cover the remainder of expenditures. This program provides a twenty-four hour information referral service to residents of Luzerne and Wyoming Counties, Pennsylvania.

#### Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Accounts receivable

Accounts receivable represent outstanding balances owed for program services provided by the Association. Management has based the allowance for doubtful accounts based on expected collection during the next fiscal year.

#### Cash restricted for endowment funds

Cash restricted for endowment funds has been restricted by donors and is not available for operating purposes.

#### Investments

Investments in money market funds are stated at fair value as determined by principal value. Common stocks are stated at market value, based upon quoted market prices and other significant observable inputs, and mutual funds are stated at market value based upon published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date, with unrealized gains and losses included in the statement of activities.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

#### Furniture and equipment

Furniture and equipment acquisitions are recorded at cost. Normal maintenance and repairs are charged to expense as incurred, major renewals or betterments, which extend the life or increase the value of assets are capitalized. Depreciation is provided using the straight-line method based on lives which, in the opinion of management, are adequate to allocate asset costs over their productive years.

#### Deferred revenue

Deferred revenue refers to payments received in advance for services which have not yet been



# FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

performed. The Association recognizes revenue when it has been earned. Deferred revenue represents the portion of revenue not yet earned and recognized.

### Contributed services

No amounts have been reflected in the financial statement for donated services. The Association generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association, but these services do not meet the criteria for recognition as contributed services.

### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

### Advertising

Advertising costs of \$26,025 were charged to expense as incurred.

### Functional expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based upon certain percentages.

### Tax exempt status

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than private foundation. The Association is consolidated with The Trustee for Family Service Association of Northeastern Pennsylvania (NOTE 6) for tax purposes.

### Estimates

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

### New accounting pronouncement

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. This guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. Specifically, this guidance reduces the three classifications of net assets on the statement of financial position to two classifications. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2017. The Association is still evaluating the impact this guidance may have on its financial statements.

### NOTE 2      Restrictions on net assets

Temporarily restricted net assets result from the investment earnings and the realized and unrealized gains and losses on the investment portfolio related to certain permanently restricted net assets.

**FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

As provided by Pennsylvania law an annual amount of temporarily restricted net assets available for spending is determined and transferred to unrestricted net assets (total return distribution). In addition, if the net assets in this category become a negative amount due to investment losses, the negative balance is transferred to unrestricted net assets in accordance with the provisions of the accounting standards governing investments held by not-for-profit organizations (reclassification of endowment earnings). These amounts will be reclassified to unrestricted net assets when available.

Permanently restricted net assets consist of endowment funds which have been restricted by donors to be maintained in perpetuity as interpreted by the legal designation of endowment in Pennsylvania, as well as cash restricted by a donor to be invested in an endowment fund.

The composition of temporarily and permanently restricted net assets as of June 30, 2018 is as follows:

	Temporarily Restricted for Endowment	Permanently Restricted		Total Permanently Restricted
		Endowment	Cash	
Balance, July 1, 2017	\$ -	\$ 24,713	\$ 16,667	\$ 41,380
Contributions	-	-	8,333	8,333
Investment income	886	-	-	-
Unrealized loss on investments	(157)	-	-	-
Amount appropriated for expenditure	(129)	-	-	-
Balance, June 30, 2018	<u>\$ 600</u>	<u>\$ 24,713</u>	<u>\$ 25,000</u>	<u>\$ 49,713</u>

**NOTE 3**      Investments and fair value measurements

The fair value of unrestricted long-term investments totaled \$512,496 at June 30, 2018. The fair value of long-term investments restricted for endowment totaled \$25,313 at June 30, 2018.

The following schedule summarizes investment returns and their classification in the statement of activities for the year ended June 30, 2018:

**FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 22,453	\$ 886	\$ 23,339
Net unrealized losses	(629)	(157)	(786)
 Total investment return	 <u>\$ 21,824</u>	 <u>\$ 729</u>	 <u>\$ 22,553</u>

FASB ASC 820 *Fair Value Measurements* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Financial instruments, other than those with quoted market prices included in Level 1, for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The fair value measurements and levels within the fair value hierarchy of these measurements for the assets reported at fair value on a recurring basis at June 30, 2018 are as follows:

Level 1 - Quoted prices:	
Money market funds	\$ 79,472
Common stock	2,224
Mutual funds	<u>456,113</u>
 Total level 1	 537,809
 Level 2 - Other significant observable inputs	 -
Level 3 - Significant unobservable inputs	<u>-</u>
 Total	 <u>\$ 537,809</u>

**NOTE 4**      Line of credit

The Association has a line of credit with a local bank with a maximum borrowing amount of \$500,000. The line is due April 1, 2019 and bears interest at a rate of the prime rate plus 1%, payable monthly, secured by substantially all assets of the Association and the building owned by the Trustee for Family Service Association of Northeastern Pennsylvania (NOTE 6). The line

**FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

of credit is guaranteed by the Trustee for Family Service Association of Northeastern Pennsylvania. At June 30, 2018, there were no borrowings outstanding.

**NOTE 5**      Retirement plan

The Association has a defined contribution retirement plan covering substantially all full time employees. The expense for the year ended June 30, 2018 amounted to \$133,623.

**NOTE 6**      Related party transactions

The Association and the Trustee for Family Service Association of Northeastern Pennsylvania (the Trustee) are related parties in that they share common employees, facilities, etc. The Trustee charges the Association for office space and equipment rental under an informal month-to-month operating lease. Related party rental expense was \$120,000 for the year ended June 30, 2018.

The Association charged the Trustee a management fee of \$12,000 for year ended June 30, 2018. Included in accounts receivable at June 30, 2018 is \$17,140 due from the Trustee primarily for management fees due at June 30, 2018.

These related parties also advance funds to and from one another. These advances do not bear interest and contain no specific repayment terms. At June 30, 2018, the Association owes the Trustee \$5,750. At June 30, 2018, the Trustee owes the Association \$82.

**NOTE 7**      Lease commitment

In addition to the rental of office space and equipment from the Trustee, (NOTE 6), the Association leases premises in Montrose, Pennsylvania under an operating lease. The lease terminates in April 2021, with the option to extend for an additional three year period. Also, the Association rents additional space in Wilkes-Barre, Pennsylvania under an operating lease.

Rent expense incurred in 2018 under these non-related party leases was \$21,210.

The following are future minimum rental payments for the years ended June 30:

2019	\$	18,085
2020		16,225
2021		12,168
		<hr/>
	\$	46,478
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**NOTE 8**      Concentrations

The Association maintains its checking accounts in two financial institutions located in Northeastern Pennsylvania. Accounts at these banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits.

**FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

Approximately 62% of the Association's total revenues and other support is received from Luzerne County Children and Youth Services.

**NOTE 9      Functional expenses**

Functional expenses for the year ended June 30, 2018 are comprised of the following:

Program services:

Counseling	\$ 155,976
Help Line	623,409
Community Education/Outreach	69,176
Guardianship	96,227
Children's Advocacy Center	222,820
Resource Development/Volunteer Services	109,519
Children and Youth Casework Service	<u>1,032,189</u>
 Total program services	 2,309,316
 Management and general	 <u>550,880</u>
 Total expenses	 <u>\$ 2,860,196</u>

**NOTE 10      Subsequent events**

Subsequent events were evaluated through October 24, 2018, which is the date the financial statements were available to be issued.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

SCHEDULE OF PROGRAMS AND SUPPORTING ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Counseling	Help Line	Comm. Education/ Outreach	Guardianship	Children's Advocacy Ctr.	Resource Devel/Vol. Services	Children and Youth Casework Service	Total programs	Management and general	Grand total
Revenues and other support:										
Program revenue and governmental contracts	\$ 114,725	\$ 417,398	\$ -	\$ 73,597	\$ 165,131	\$ -	\$ 2,042,960	\$ 2,813,811	\$ 2,887	\$ 2,816,698
Grants	-	37,726	65,000	1,825	35,886	-	-	140,437	-	140,437
United Way contributions	-	146,618	-	-	925	-	-	147,543	-	147,543
Other contributions	-	3,397	-	500	7,709	2,253	-	13,859	11,716	25,575
Special events, net of costs of direct benefits to donors of \$38,937	-	(27)	-	-	10,449	114,223	-	124,645	(1,856)	122,789
Other revenue	473	-	-	-	209	-	-	682	12,400	13,082
Investment return	-	158	-	-	-	-	-	158	22,395	22,553
<b>Total revenues and other support</b>	<b>115,198</b>	<b>605,270</b>	<b>65,000</b>	<b>75,922</b>	<b>220,309</b>	<b>116,476</b>	<b>2,042,960</b>	<b>3,241,135</b>	<b>47,542</b>	<b>3,288,677</b>
Expenses:										
Personnel	135,468	545,123	64,153	88,300	173,309	104,098	871,022	1,981,473	318,068	2,299,541
Rent	-	-	-	-	17,490	-	35,000	52,490	88,720	141,210
Professional fees	14,203	22,560	-	-	6,214	-	42,855	85,832	20,386	106,218
Travel	540	10,872	3,390	6,589	8,178	567	47,032	77,168	11,963	89,131
Supplies	4,073	4,840	1,457	677	5,011	409	12,166	28,633	9,056	37,689
Office equipment	598	2,808	36	36	1,585	1,179	7,058	13,300	13,804	27,104
Telephone	110	8,527	-	329	2,772	-	11,228	22,966	3,308	26,274
Advertising	-	17,720	-	-	1,779	1,536	-	21,035	4,990	26,025
Insurance	-	-	-	-	-	-	-	-	20,041	20,041
Dues	-	6,201	-	180	4,530	130	314	11,355	7,589	18,944
Utilities	-	1,371	-	-	538	-	-	1,909	16,640	18,549
Conferences and conventions	696	203	-	-	715	565	1,221	3,400	13,147	16,547
Depreciation	-	1,583	-	-	-	-	-	1,583	14,249	15,832
Postage	240	240	140	-	548	604	4,230	6,002	2,830	8,832
Miscellaneous	-	-	-	116	-	431	-	547	3,317	3,864
Bank charges	-	-	-	-	-	-	-	-	2,515	2,515
Disaster recovery expense	-	1,340	-	-	-	-	-	1,340	-	1,340
Printing	48	21	-	-	151	-	63	283	30	313
Bank interest	-	-	-	-	-	-	-	-	227	227
<b>Total expenses</b>	<b>155,976</b>	<b>623,409</b>	<b>69,176</b>	<b>96,227</b>	<b>222,820</b>	<b>109,519</b>	<b>1,032,189</b>	<b>2,309,316</b>	<b>550,880</b>	<b>2,860,196</b>
<b>Increase (decrease) in net assets</b>	<b>\$ (40,778)</b>	<b>\$ (18,139)</b>	<b>\$ (4,176)</b>	<b>\$ (20,305)</b>	<b>\$ (2,511)</b>	<b>\$ 6,957</b>	<b>\$ 1,010,771</b>	<b>\$ 931,819</b>	<b>\$ (503,338)</b>	<b>\$ 428,481</b>