

**FAMILY SERVICE ASSOCIATION OF
NORTHEASTERN PENNSYLVANIA**

**YEARS ENDED
JUNE 30, 2023 AND 2022**

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

	Page
Independent auditors' report	1 - 3
Financial statements:	
Statements of financial position	4
Statements of activities	5
Statements of cash flows	6
Notes to financial statements	7 - 19
Supplementary information to financial statements:	
Schedule of programs and supporting activities	20 - 21



**Kronick
Kalada
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A Professional Corporation

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Family Service Association of Northeastern Pennsylvania (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Family Service Association of Northeastern Pennsylvania as of June 30, 2023 and 2022, 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.

Basis for Opinion

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Family Service Association of Northeastern Pennsylvania and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter- Change in Accounting Principle

As described in Notes 1, 6, and 7 to the financial statements, in the year ended June 30, 2023, Family Services Association of Northeastern Pennsylvania changed its method of accounting for leases with the adoption of FASB ASU 2016-02 (ASC 842, *Leases*) and related ASU's. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Service Association of Northeastern Pennsylvania's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Family Service Association of Northeastern Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Service Association of Northeastern Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 20-21 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 audits 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.

Kronick Kalada Berdy & Co., P.C.

Kingston, Pennsylvania
December 15, 2023

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash	\$ 2,913,485	\$ 2,742,540
Accounts receivable, net of allowance for doubtful accounts of \$10,000, 2023 and 2022	523,147	660,361
Investments	1,172,142	1,112,533
Prepaid expense	40,389	19,048
Due from related party	<u>145</u>	<u>-</u>
Total current assets	<u>4,649,308</u>	<u>4,534,482</u>
Security deposits	1,667	1,667
Long-term investments, restricted for endowment	78,719	64,733
Furniture and equipment, net of accumulated depreciation of \$173,104, 2023; and \$169,762, 2022	<u>5,475</u>	<u>8,819</u>
Total assets	<u>\$ 4,735,169</u>	<u>\$ 4,609,701</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 50,456	\$ 29,394
Accrued retirement plan contribution payable	13,659	35,448
Accrued payroll and vacation	155,419	62,019
Accrued expenses	15,129	21,921
Deferred revenue	14,432	438,176
Due to related party	<u>-</u>	<u>3,750</u>
Total current liabilities	<u>249,095</u>	<u>590,708</u>
Net assets:		
Without donor restrictions:		
Undesignated	3,407,355	2,954,260
Designated by the Board for future development activities	1,000,000	1,000,000
With donor restrictions:		
Perpetual in nature	<u>78,719</u>	<u>64,733</u>
Total net assets	<u>4,486,074</u>	<u>4,018,993</u>
Total liabilities and net assets	<u>\$ 4,735,169</u>	<u>\$ 4,609,701</u>

See notes to financial statements

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions:		
Revenues, gains (losses) and other support:		
Program revenue and governmental contracts	\$ 2,830,409	\$ 2,971,714
Paycheck Protection Program ("PPP") grant	-	523,400
Grants	665,193	414,373
United Way contributions	244,767	138,991
Other contributions	5,361	11,146
Special events, net of costs of direct benefits to donors of \$61,273 and \$35,801, respectively	119,686	113,433
Other revenue	19,452	56,575
Investment return, net	60,057	(58,872)
Total revenues, gains (losses) and other support without donor restrictions	<u>3,944,925</u>	<u>4,170,760</u>
Net assets released from restrictions, total return distribution of income per spending rate policy	<u>2,012</u>	<u>-</u>
Total revenues, gains (losses) and other support without donor restrictions	<u>3,946,937</u>	<u>4,170,760</u>
Expenses:		
Program services	2,842,007	2,661,852
Management and general	651,835	558,649
Total expenses	<u>3,493,842</u>	<u>3,220,501</u>
Increase in net assets without donor restrictions	<u>453,095</u>	<u>950,259</u>
Changes in net assets with donor restrictions:		
Revenues, gains (losses) and other support:		
Contributions	11,500	5,310
Investment return, net	4,498	(7,953)
Total revenues, gains (losses) and other support with donor restrictions	15,998	(2,643)
Net assets released from restriction, total return distribution of income per spending rate policy	(2,012)	-
Increase (decrease) in net assets with donor restrictions	<u>13,986</u>	<u>(2,643)</u>
Increase in net assets	467,081	947,616
Net assets, beginning of year	4,018,993	3,071,377
Net assets, end of year	<u>\$ 4,486,074</u>	<u>\$ 4,018,993</u>

See notes to financial statements

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Increase in net assets	\$ 467,081	\$ 947,616
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,344	3,341
Unrealized (gain) loss on investments	(18,856)	117,310
Bad debt expense	32,275	-
Gain on extinguishment of debt, Paycheck Protection Program Grant	-	(523,400)
Changes in operating assets and liabilities:		
Accounts receivable	104,939	50,548
Prepaid expenses	(21,341)	(6,459)
Due from related party	(145)	3,750
Accounts payable	21,062	(39,587)
Accrued retirement plan contribution payable	(21,789)	(11,200)
Accrued payroll and vacation	93,400	(162,428)
Accrued expenses	(6,792)	7,685
Deferred revenue	(423,744)	243,121
Due to related party	(3,750)	(26,250)
Net cash provided by operating activities	225,684	604,047
Cash flows from investing activities:		
Proceeds from the sale of investments	2,011	8,112
Purchase of investments	(56,750)	(62,892)
Net cash used in investing activities	(54,739)	(54,780)
Net increase in cash	170,945	549,267
Cash, beginning of year	2,742,540	2,193,273
Cash, end of year	\$ 2,913,485	\$ 2,742,540
Supplemental disclosure of cash flow information:		
Interest paid during the year	\$ 18	\$ 28

See notes to financial statements

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, Susquehanna, and Luzerne Counties, Pennsylvania. In addition, the Association operates the PA 2-1-1 Northeast Help Line Program.

PA 2-1-1 Northeast Help Line Program 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 17 counties in Northeast 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.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor– (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Revenue and revenue recognition

Contributions are recognized when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and right of return, are not recognized until the conditions on which they depend have been substantially met. We recognize revenue from programs, government contracts and grants when the performance obligations of providing the services are met. Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. All services are transferred at a point in time.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

A portion of our revenue is derived from program revenue and government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. We received program revenue and government contracts and grants of \$14,432 and \$438,176, respectively, that have not been recognized at June 30, 2023 and 2022 because qualifying expenditures have not yet been incurred.

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 based on historical experience an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2023 and 2022, the allowance was \$10,000. Accounts receivable, net amounted to \$523,147 and \$660,361 at June 30, 2023 and 2022, respectively. The accounts receivable balance at July 1, 2022, the beginning of the comparative two year period, was \$710,909.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. 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 statements of activities.

Investment income (including realized gains and losses on investments, unrealized gains and losses on investments, interest, and dividends, less external and direct internal investment expenses) is included in the determination of changes in net assets unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions 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.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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 the estimated useful lives of the assets.

Paycheck Protection Program Refundable Advance

In April, 2020, the Association obtained a \$523,400 loan from a bank pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP loan was accounted for in accordance with FASB ASC-958-605 as a conditional contribution. Under this model, the timing of recognition for a contribution received depends on whether the contribution is conditional or not. If conditional, the contribution is not recognized until the conditions are substantially met or explicitly waived. The Association initially recorded the cash inflow from the PPP loan as a refundable advance and in cash flows from operating activities. The Association applied for and received forgiveness of the loan in August 2021, at which time the Association recognized the revenue and reduced the refundable advance.

In-kind contributions

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. Contributed goods are recorded at fair value at the date of donation, if any. We record donated professional services at the respective fair values of the services received, if any. No significant contributions of such goods or services were received during the years ended June 30, 2023 and 2022, respectively.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Certain leasing arrangements with entities under common control

The Association has adopted the accounting alternative offered to private companies in FASB ASC 810-10 for certain leasing arrangements with entities under common control. In accordance with this alternative, the Association does not evaluate entities that meet the requirements in the variable interest entities subsections of FASB ASC 810-10. Instead, the Association discloses leasing arrangement as required by the accounting alternative. See Note 6.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Advertising

Advertising costs of \$30,361 and \$31,936 for the years ended June 30, 2023 and 2022, respectively, were charged to expense as incurred.

Functional expenses

The costs of providing various program and supporting services have been summarized on a functional basis in Note 12. The functional expenses present the natural classification of expense by function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Expenses directly related to either the programs or supporting services are assigned to the programs or other applicable services. Expenses that are allocated are done on the basis of estimates of time and effort. The expenses that are allocated included occupancy, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

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 Trustee for Family Service Association of Wyoming Valley (the Trustee) for tax purposes. The Association recognizes the benefits of uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities.

Management has analyzed the Association's tax positions and has concluded that no liability should be recorded related to uncertain tax positions taken as of June 30, 2023 and 2022. The Association is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncement

Leases

Effective January 1, 2022, the Association adopted FASB ASU 2016-02 (ASC 842, Leases) and related ASU's using the effective date method modified retrospective transition approach, which allows the Association to initially apply the new lease standard at the adoption date. The Association determines if an arrangement contains a lease at inception based on whether The Association has the right to control the asset during the contract period and other facts and

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

circumstances. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into increase in net assets on a straight-line basis over the lease term. ASU 2016-02 requires lessors to classify leases as sales-type, direct financing, or operating. A lease will be treated as a sales-type lease if it transfers all of the risks and rewards, as well control of the asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a direct financing lease. If the lessor does not convey risks and rewards or control, the lease is considered an operating lease. ASU 2016-02 and related ASU's also requires specific quantitative and qualitative disclosures about leasing arrangements to enable financial statement users to assess the amount, timing, and uncertainty of cash flows arising from the leases. The Association elected the package of practical expedients permitted under the transition guidance within the new lease standard. This package includes the following relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from the reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Association elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on the straight-line basis. The Association elected the practical expedient to not separate lease and non-leases component for building and equipment leases. The adoption of this accounting pronouncement did not have a material effect on the Association's financial statements.

Recent accounting pronouncement

The Financial Accounting Standards Board issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which supersedes accounting standards that currently exist under GAAP and provides a methodology for measuring credit losses that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard also requires the Association to disclose additional information, including expanded credit quality disclosures. The Association will be required to apply the expected credit loss model for accounts receivable, related party receivables, loans, and other financial instruments. ASU 2016-03 is effective for fiscal years beginning after December 15, 2022, and interim reporting periods within those fiscal years. The Association is evaluating the impact the pronouncement may have on the financial statements.

Subsequent events

Subsequent events were evaluated through December 15, 2023, which is the date the financial statements were available to be issued.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 Net assets with donor restrictions and endowment

Net assets with donor restrictions 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 provided by Pennsylvania law an annual amount of net assets with donor restrictions available for spending is determined and transferred to net assets without donor restrictions (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 net assets without donor restrictions 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 net assets without donor restrictions when available. There were no underwater endowments at June 30, 2023 and 2022.

The composition of endowment assets as of June 30, 2023 and 2022 is as follows:

	Net assets with donor restrictions
Balance, June 30, 2021	\$ 67,376
Interest and dividend income	4,082
Unrealized loss on investments, net	(12,035)
Contributions	5,310
Balance, June 30, 2022	64,733
Interest and dividend income	2,144
Unrealized gain on investments, net	2,354
Amount appropriated for expenditure, pursuant to spending rate policy	(2,012)
Contributions	11,500
Balance, June 30, 2023	\$ 78,719

NOTE 3 Investments and fair value measurements

The fair value of investments totaled \$1,172,142 and \$1,112,533 at June 30, 2023 and 2022, respectively. The fair value of investments restricted for endowment totaled \$78,719 and \$64,733 at June 30, 2023 and 2022, respectively.

The following schedule summarizes investment returns and their classification in the statement of activities for the year ended June 30, 2023:

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

	Without donor restrictions	With donor restrictions	Total
Interest and dividend income	\$ 43,555	\$ 2,144	\$ 45,699
Net unrealized gains, net	16,502	2,354	18,856
 Total investment return, net	 \$ 60,057	 \$ 4,498	 \$ 64,555

The following schedule summarizes investment returns and their classification in the statement of activities for the year ended June 30, 2022:

	Without donor restrictions	With donor restrictions	Total
Interest and dividend income	\$ 46,403	\$ 4,082	\$ 50,485
Net unrealized losses, net	(105,275)	(12,035)	(117,310)
 Total investment return, net	 \$ (58,872)	 \$ (7,953)	 \$ (66,825)

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 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trustee has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Money market: Valued at the quoted net asset value (NAV) of shares held by the Association at year end.

Common stocks: Valued at the closing price reported on the active markets on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. The funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

Fixed income securities: Debt securities include mainly government bonds and certificates of deposit with a wide range of maturities. These investments are valued using an evaluated pricing approach that varies by asset class and reflects observable market information such as the most recent exchange price or quoted bid for similar securities. Market-based standard inputs typically include benchmark yields, reported trades, broker/dealer quotes and issuer spreads or the most recent quotes for similar securities which are a Level 2 measure.

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 are as follows:

	2023	2022
Level 1 - Quoted prices:		
Money market funds	\$ 136,883	\$ 174,551
Common stock	57,905	42,286
Mutual funds	556,521	521,687
Total level 1	751,309	738,524
Level 2 - Other significant observable inputs, fixed income securities	499,552	438,742
Level 3 - Significant unobservable inputs	-	-
Total	\$ 1,250,861	\$ 1,177,266

The Association's policy is to recognize transfers of investments into or out of Level 3 as of the date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2023 and 2022, there were no transfers of investments into or out of Level 3. There are no assets requiring the use of Level 3 assets for the years presented.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2024 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. The line of credit is guaranteed by the Trustee. At June 30, 2023 and 2022, 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 years ended June 30, 2023 and 2022 amounted to \$76,437 and \$70,496, respectively.

NOTE 6 Related party transactions

The Association and the Trustee for Family Service Association of Wyoming Valley (the Trustee) are related parties in that they share common employees, facilities, etc.

The Trustee charges the Association a fixed \$10,000 a month for office space and equipment rental an operating lease terminating June 30, 2024, at which time it may, with the written agreement of both parties, be changed or extended. Related party rental expense was \$120,000 for the years ended June 30, 2023 and 2022. The minimum rental payments for this lease for the year ended June 30, 2024 are \$120,000.

The related party lessor does not have any debt and management is not aware of any circumstances that would expose the Association to providing any financial support to the related party lessor.

The Association charged the Trustee a management fee of \$12,000 for years ended June 30, 2023 and 2022.

Due to related party represents amounts owed to the Trustee in the amount of \$0 and \$3,750, at June 30, 2023 and 2022.

Due from related party at June 30, 2023 and 2022 represents amounts due from the Trustee in the amount of \$145 and \$0, respectively.

These receivables and payables are unsecured, do not bear interest and contain no specific repayment terms.

NOTE 7 Leasing activities

In addition to the rental of office space and equipment from the Trustee (Note 6), the Association leases premises in Montrose, Pennsylvania and Pittston, Pennsylvania under month-to-month operating leases and elect not to recognize the assets and liabilities for the

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

lease. Lease payments and the short-term lease is recognized on a straight-line basis. All the Associations leases are short-term.

The components of lease expenses are included in rent expense in program services and management and general in the statement of activities for the years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Short-term lease cost	<u>\$ 142,233</u>	<u>\$ 144,110</u>
Total lease cost	<u>\$ 142,233</u>	<u>\$ 144,110</u>

Rent expense incurred in 2023 and 2022 under non-related party leases was \$22,233 and \$24,110, respectively.

NOTE 8 Concentrations

The Association maintains its cash accounts in commercial banks, which are insured by the Federal Deposit Insurance Corporation up to statutory limits. Throughout the year, the balances at this institution may exceed the federally insured limits. Management does not anticipate any losses on the uninsured portions of these balances.

For the years ended June 30, 2023 and 2022, approximately 48% of the Association's total revenues and other support is received from Luzerne County Children and Youth Services.

NOTE 9 Liquidity and availability

The Association monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. It meets these operating needs and contractual commitments through grants and program revenue and structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Association's financial assets available within one year of June 30 for general expenditure consists of the following:

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash	\$ 2,913,485	\$ 2,742,540
Accounts receivable, net	523,147	660,361
Investments	<u>1,172,142</u>	<u>1,112,533</u>
Financial assets at year end	\$ 4,608,774	\$ 4,515,434
Less amounts not available to be used within one year, due to Board designated net assets	<u>1,000,000</u>	<u>1,000,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,608,774</u>	<u>\$ 3,515,434</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of June 30, 2023 and 2022, respectively. The net assets without donor restrictions designated by the Board of Directors for future development activities could be made available if necessary. In addition to the above amounts, the Association has a line of credit from a local bank.

NOTE 10 Deferred revenue

The following table provides information about significant changes in deferred revenue for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Deferred revenue, beginning of year	\$ 438,176	\$ 195,055
Revenue recognized that was included in deferred revenue at the beginning of year	(438,176)	(195,055)
Increases in deferred revenue due to cash received during the year	<u>14,432</u>	<u>438,176</u>
Deferred revenue, end of year	<u>\$ 14,432</u>	<u>\$ 438,176</u>

NOTE 11 Board designated net assets

The Board of Directors have designated net assets in the amount of \$1,000,000 for future development activities at June 30, 2023 and 2022.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 12 Functional expenses

Functional expenses for the year ended June 30, 2023 are comprised of the following:

	Program services							Total programs	Management and general	Cost of Direct Benefits to Donors	Grand total
	Counseling	Help Line	Comm. Education/ Outreach	Guardianship	Children's Advocacy Ctr.	Resource Devel/Vol. Services	Children and Youth Casework Service				
Expenses:											
Advertising	\$ -	\$ 20,308	\$ -	\$ -	\$ 2,350	\$ -	\$ -	22,658	\$ 7,703	\$ -	\$ 30,361
Bad debt	6,969	10,236	-	-	6,500	-	-	23,705	8,570	-	32,275
Bank charges	-	-	-	-	-	-	-	-	1,582	-	1,582
Bank interest	-	-	-	-	-	-	-	-	18	-	18
Conferences and conventions	775	2,375	-	558	1,364	1,262	19,501	25,835	981	-	26,816
Depreciation	-	-	-	-	-	-	-	-	3,344	-	3,344
Dues	190	6,101	-	260	4,328	5,531	95	16,505	5,240	-	21,745
Insurance	-	-	-	-	-	-	-	-	30,816	-	30,816
Meals and entertainment	-	-	-	-	-	-	-	-	-	61,273	61,273
Miscellaneous	535	10	60	11,138	578	-	-	12,321	5,179	-	17,500
Office supplies	291	9,409	-	2,484	4,986	421	9,330	26,921	18,510	-	45,431
Personnel	85,535	708,809	-	155,758	148,075	89,724	1,274,343	2,462,244	434,228	-	2,896,472
Postage	350	339	200	600	100	343	5,850	7,782	2,227	-	10,009
Printing	-	659	-	365	1,908	-	203	3,135	1,808	-	4,943
Professional fees	12,066	180	-	770	796	-	35,676	49,488	44,909	-	94,397
Rent	-	10,233	-	-	12,000	-	53,200	75,433	66,800	-	142,233
Supplies	673	3,937	187	303	4,930	476	6,216	16,722	7,147	-	23,869
Telephone	-	12,885	-	329	2,683	-	32,020	47,917	(2,467)	-	45,450
Travel	-	4,536	-	8,987	852	1,883	32,931	49,189	372	-	49,561
Utilities	-	2,152	-	-	-	-	-	2,152	14,868	-	17,020
Total expenses by function	107,384	792,169	447	181,552	191,450	99,640	1,469,365	2,842,007	651,835	61,273	3,555,115
Less expenses included with revenues on the statement of activities:											
Cost of direct benefit to donors	-	-	-	-	-	-	-	-	-	(61,273)	(61,273)
Total expenses included on the statement of activities	\$ 107,384	\$ 792,169	\$ 447	\$ 181,552	\$ 191,450	\$ 99,640	\$ 1,469,365	\$ 2,842,007	\$ 651,835	\$ -	\$ 3,493,842

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Functional expenses for the year ended June 30, 2022 are comprised of the following:

	Program services							Total programs	Management and general	Cost of Direct Benefits to Donors	Grand total
	Counseling	Help Line	Comm. Education/Outreach	Guardianship	Children's Advocacy Ctr.	Resource Devel/Vol. Services	Children and Youth Casework Service				
Advertising	\$ -	\$ 27,964	\$ -	\$ -	\$ -	\$ -	\$ -	27,964	\$ 3,972	\$ -	\$ 31,936
Bank charges	-	-	-	-	-	-	-	-	2,377	-	2,377
Bank interest	-	-	-	-	-	-	-	-	28	-	28
Conferences and conventions	25	-	-	75	455	25	592	1,172	3,073	-	4,245
Depreciation	-	-	-	-	-	-	-	-	3,341	-	3,341
Disaster recovery	-	42	-	-	-	-	-	42	-	-	42
Dues	-	6,178	-	754	6,005	3,965	-	16,902	8,848	-	25,750
Insurance	-	-	-	-	-	-	-	-	25,429	-	25,429
Meals and entertainment	-	-	-	-	-	-	-	-	-	35,801	35,801
Miscellaneous	116	-	-	468	-	-	21	605	3,167	-	3,772
Office supplies	249	5,091	-	793	4,853	886	9,649	21,521	16,757	-	38,278
Personnel	98,304	559,016	60	135,690	154,770	66,733	1,313,305	2,327,878	347,540	-	2,675,418
Postage	150	352	550	250	108	571	4,200	6,181	2,359	-	8,540
Printing	-	282	-	-	-	58	160	500	659	-	1,159
Professional fees	11,382	33,009	-	566	2,895	-	36,366	84,218	48,535	-	132,753
Rent	-	12,110	-	-	12,000	-	54,800	78,910	65,200	-	144,110
Supplies	394	1,646	-	361	1,705	1,811	6,822	12,739	5,786	-	18,525
Telephone	-	10,486	-	333	2,074	-	28,275	41,168	7,507	-	48,675
Travel	-	776	-	6,629	514	246	32,040	40,205	684	-	40,889
Utilities	-	1,847	-	-	-	-	-	1,847	13,387	-	15,234
Total expenses by function	110,620	658,799	610	145,919	185,379	74,295	1,486,230	2,661,852	558,649	35,801	3,256,302
Less expenses included with revenues on the statement of activities:											
Cost of direct benefit to donors	-	-	-	-	-	-	-	-	-	(35,801)	(35,801)
Total expenses included on the statement of activities	\$ 110,620	\$ 658,799	\$ 610	\$ 145,919	\$ 185,379	\$ 74,295	\$ 1,486,230	\$ 2,661,852	\$ 558,649	\$ -	\$ 3,220,501

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

SCHEDULE OF PROGRAMS AND SUPPORTING ACTIVITIES

YEAR ENDED JUNE 30, 2023

	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	\$ 78,898	\$ 457,636	\$ -	\$ 189,235	\$ 218,970	\$ -	\$ 1,884,855	\$ 2,829,594	\$ 815	\$ 2,830,409
Grants	-	535,330	18,150	36,500	46,224	-	-	636,204	28,989	665,193
United Way contributions	-	239,267	-	-	5,500	-	-	244,767	-	244,767
Other contributions	500	1,159	-	500	1,000	-	-	3,159	13,702	16,861
Special events, net of costs of direct benefits to donors of \$61,273	-	-	-	-	24,205	97,124	-	121,329	(1,643)	119,686
Other revenue	1,844	2,478	-	-	-	-	-	4,322	15,130	19,452
Investment return, net	-	-	-	-	-	-	-	-	64,555	64,555
Total revenues and other support	81,242	1,235,870	18,150	226,235	295,899	97,124	1,884,855	3,839,375	121,548	3,960,923
Expenses:										
Advertising	-	20,308	-	-	2,350	-	-	22,658	7,703	30,361
Bad debt	6,969	10,236	-	-	6,500	-	-	23,705	8,570	32,275
Bank charges	-	-	-	-	-	-	-	-	1,582	1,582
Bank interest	-	-	-	-	-	-	-	-	18	18
Conferences and conventions	775	2,375	-	558	1,364	1,262	19,501	25,835	981	26,816
Depreciation	-	-	-	-	-	-	-	-	3,344	3,344
Dues	190	6,101	-	260	4,328	5,531	95,000	16,505	5,240	21,745
Insurance	-	-	-	-	-	-	-	-	30,816	30,816
Miscellaneous	535	10	60	11,138	578	-	-	12,321	5,179	17,500
Office supplies	291	9,409	-	2,484	4,986	421	9,330	26,921	18,510	45,431
Personnel	85,535	708,809	-	155,758	148,075	89,724	1,274,343	2,462,244	434,228	2,896,472
Postage	350	339	200	600	100	343	5,850	7,782	2,227	10,009
Printing	-	659	-	365	1,908	-	203	3,135	1,808	4,943
Professional fees	12,066	180	-	770	796	-	35,676	49,488	44,909	94,397
Rent	-	10,233	-	-	12,000	-	53,200	75,433	66,800	142,233
Supplies	673	3,937	187	303	4,930	476	6,216	16,722	7,147	23,869
Telephone	-	12,885	-	329	2,683	-	32,020	47,917	(2,467)	45,450
Travel	-	4,536	-	8,987	852	1,883	32,931	49,189	372	49,561
Utilities	-	2,152	-	-	-	-	-	2,152	14,868	17,020
Total expenses	107,384	792,169	447	181,552	191,450	99,640	1,469,365	2,842,007	651,835	3,493,842
Increase (decrease) in net assets	\$ (26,142)	\$ 443,701	\$ 17,703	\$ 44,683	\$ 104,449	\$ (2,516)	\$ 415,490	\$ 997,368	\$ (530,287)	\$ 467,081

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

SCHEDULE OF PROGRAMS AND SUPPORTING ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Counseling	Help Line	Comm. Education /Outreach	Guardianshi p	Children's Advocacy Ctr.	Resource Devel/Vol. Services	Children and Youth Casework Service	Total programs	Management and general	Grand total
Program revenue and governmental contracts	\$ 88,808	\$ 555,013	\$ -	\$ 147,927	\$ 193,564	\$ -	\$ 1,986,402	\$ 2,971,714	\$ -	\$ 2,971,714
Paycheck Protection Program ("PPP") grant	-	-	-	-	-	-	-	-	523,400	523,400
Grants	14,250	306,284	-	39,675	25,375	-	-	385,584	28,789	414,373
United Way contributions	-	129,591	-	-	9,400	-	-	138,991	-	138,991
Other contributions	2,850	3,757	-	700	-	-	-	7,307	9,149	16,456
Special events, net of costs of direct benefits to donors of \$35,801	-	-	-	-	17,929	97,771	-	115,700	(2,267)	113,433
Other revenue	1,120	38,250	-	-	4,346	-	334	44,050	12,525	56,575
Investment return, net	-	-	-	-	-	-	-	-	(66,825)	(66,825)
Total revenues and other support	107,028	1,032,895	-	188,302	250,614	97,771	1,986,736	3,663,346	504,771	4,168,117
Expenses:										
Advertising	-	27,964	-	-	-	-	-	27,964	3,972	31,936
Bank charges	-	-	-	-	-	-	-	-	2,377	2,377
Bank interest	-	-	-	-	-	-	-	-	28	28
Conferences and conventions	25	-	-	75	455	25	592	1,172	3,073	4,245
Depreciation	-	-	-	-	-	-	-	-	3,341	3,341
Disaster recovery	-	42	-	-	-	-	-	42	-	42
Dues	-	6,178	-	754	6,005	3,965	-	16,902	8,848	25,750
Insurance	-	-	-	-	-	-	-	-	25,429	25,429
Miscellaneous	116	-	-	468	-	-	21	605	3,167	3,772
Office supplies	249	5,091	-	793	4,853	886	9,649	21,521	16,757	38,278
Personnel	98,304	559,016	60	135,690	154,770	66,733	1,313,305	2,327,878	347,540	2,675,418
Postage	150	352	550	250	108	571	4,200	6,181	2,359	8,540
Printing	-	282	-	-	-	58	160	500	659	1,159
Professional fees	11,382	33,009	-	566	2,895	-	36,366	84,218	48,535	132,753
Rent	-	12,110	-	-	12,000	-	54,800	78,910	65,200	144,110
Supplies	394	1,646	-	361	1,705	1,811	6,822	12,739	5,786	18,525
Telephone	-	10,486	-	333	2,074	-	28,275	41,168	7,507	48,675
Travel	-	776	-	6,629	514	246	32,040	40,205	684	40,889
Utilities	-	1,847	-	-	-	-	-	1,847	13,387	15,234
Total expenses	110,620	658,799	610	145,919	185,379	74,295	1,486,230	2,661,852	558,649	3,220,501
Increase (decrease) in net assets	\$ (3,592)	\$ 374,096	\$ (610)	\$ 42,383	\$ 65,235	\$ 23,476	\$ 500,506	\$ 1,001,494	\$ (53,878)	\$ 947,616