

**FAMILY SERVICE ASSOCIATION OF
NORTHEASTERN PENNSYLVANIA**

**YEARS ENDED
JUNE 30, 2020 AND 2019**

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

YEARS ENDED JUNE 30, 2020 AND 2019

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**Kronick
Kalada
Berdy & Co.**
A Professional Corporation

Certified Public Accountants

Officers/Shareholders

Deborah A. Eastwood, CPA
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Anthony R. Caravaggio, CPA
Ronald H. Ulitchney, CPA
Louis E. Marcin, CPA
Jason C. Williams, CPA

INDEPENDENT AUDITORS' REPORT

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

Donald M. Kronick, CPA
Joseph J. Kalada, CPA
Paul Berdy, CPA
William R. Lazor, CPA/PFS, CFE

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 statements of financial position as of June 30, 2020 and 2019 and the related statements of activities and cash flows 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 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 audits. We conducted our audits 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, 2020 and 2019, 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.

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 schedules of programs and supporting activities on pages 18 and 19 are 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.

Kronick Kalada Berdy & Co., P.C.

Kingston, Pennsylvania
October 20, 2020

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets:		
Cash	\$ 1,482,386	\$ 587,142
Accounts receivable, net of allowance for doubtful accounts of \$10,000, 2020 and 2019	566,425	478,871
Investments	1,060,589	1,043,712
Prepaid expense	13,542	15,189
	3,122,942	2,124,914
Total current assets		
Long-term investments, restricted for endowment	59,221	57,367
	27,020	50,774
Furniture and equipment, net of accumulated depreciation of \$151,559, 2020; and \$127,805, 2019		
Total assets	\$ 3,209,183	\$ 2,233,055
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 48,961	\$ 80,709
Accrued retirement plan contribution payable	88,811	129,026
Accrued payroll and vacation	180,832	106,228
Accrued expenses	12,300	11,900
Deferred revenue	340,128	37,827
Refundable advance	523,400	-
Due to related party	20,000	5,910
Total current liabilities	1,214,432	371,600
Net assets:		
Without donor restrictions	1,935,530	1,804,088
With donor restrictions:		
Perpetual in nature	59,221	57,367
Total net assets	1,994,751	1,861,455
Total liabilities and net assets	\$ 3,209,183	\$ 2,233,055

See notes to financial statements

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Changes in net assets without donor restrictions:		
Revenues and other support:		
Program revenue and governmental contracts	\$ 2,776,896	\$3,037,615
Grants	208,188	211,103
United Way contributions	132,265	66,143
Other contributions	32,023	17,226
Special events, net of costs of direct benefits to donors of \$20,519 and \$47,588, respectively	143,450	122,023
Other revenue	139,475	22,228
Investment return, net	17,867	33,049
Total revenues without donor restrictions	3,450,164	3,509,387
Net assets released from restrictions, total return distribution of income	760	630
Total revenues and other support without donor restrictions	3,450,924	3,510,017
Expenses:		
Program services	2,781,268	2,653,591
Management and general	538,214	601,869
Total expenses	3,319,482	3,255,460
Increase in net assets without donor restrictions	131,442	254,557
Changes in net assets with donor restrictions:		
Revenues and other support:		
Contributions	-	5,920
Investment return, net	2,614	1,764
Total revenues with donor restrictions	2,614	7,684
Net assets released from restriction, total return distribution of income	(760)	(630)
Increase in net assets with donor restrictions	1,854	7,054
Increase in net assets	133,296	261,611
Net assets, beginning of year	1,861,455	1,599,844
Net assets, end of year	\$ 1,994,751	\$1,861,455

See notes to financial statements

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 133,296	\$ 261,611
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	23,754	24,395
Unrealized (gain) loss on investments	10,973	(2,918)
Contributions restricted for long-term purposes	-	(5,920)
Changes in operating assets and liabilities:		
Accounts receivable	(87,554)	343,552
Prepaid expenses	1,647	(4,281)
Due from related party	-	82
Accounts payable	(31,748)	40,171
Accrued retirement plan contribution payable	(40,215)	41,245
Accrued payroll and vacation	74,604	14,109
Accrued expenses	400	400
Deferred revenue	302,301	(71,516)
Refundable advance	523,400	-
Due to related party	14,090	160
	924,948	641,090
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from the sale of investments	1,230	1,121
Purchase of investments	(30,934)	(561,473)
Purchase of furniture and equipment	-	(20,016)
	(29,704)	(580,368)
Net cash used in investing activities		
Cash flows provided by financing activities,		
collection of contributions restricted for long-term purposes	-	5,920
	895,244	66,642
Net increase in cash and restricted cash		
Cash, beginning of year	587,142	520,500
Cash, end of year	\$ 1,482,386	\$ 587,142
Supplemental disclosure of cash flow information:		
Interest paid during the year	\$ 162	\$ 41

See notes to financial statements

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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

Revenue is recognized when earned. 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 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, 2020 AND 2019

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 \$340,128 and \$37,827, respectively, that have not been recognized at June 30, 2020 and 2019 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, 2020 and 2019, the allowance was \$10,000.

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 statement 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.

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.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Refundable advance

On April 7, 2020, the Association, applied for and was granted a loan from a bank in the aggregate amount of \$523,400, pursuant to the Paychex Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Association expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven. The PPP loan is 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. The Association will reduce the refundable and recognize the contribution once the conditions of release have been substantially met or explicitly waived.

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 net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Advertising

Advertising costs of \$45,633 and \$31,336 for the years ended June 30, 2020 and 2019, 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 13. 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.

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.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Management has analyzed the Association's tax positions and has concluded that no liability should be recorded related to uncertain tax positions taken on returns filed for open tax years 2017-2020.

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.

Recently adopted accounting standards

The FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers: Topic 606: Deferral of Effective Date. The Association adopted the provisions of this new standard as of July 1, 2019, and has no effect on the Association's financial statements.

The FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU No. 2018-08 provide guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction, determining whether a contribution is conditional, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns. The Association adopted the provisions of this new standard as of July 1, 2019, and has no effect on the Association's financial statements.

Recent accounting pronouncement

The FASB issued ASU 2016-02, Leases (Topic 842), which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2021. The Association is evaluating the impact the pronouncement may have on the financial statements.

Subsequent events

Subsequent events were evaluated through October 20, 2020, 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, 2020 AND 2019

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, 2020 and 2019.

The composition of endowment assets as of June 30, 2020 and 2019 is as follows:

	Net assets with donor restrictions
Balance, July 1, 2018	\$ 50,313
Contributions	5,920
Investment income, net	1,124
Unrealized gain on investments, net	640
Amount appropriated for expenditure, pursuant to spending rate policy	(630)
Balance, June 30, 2019	57,367
Investment income, net	1,157
Unrealized gain on investments, net	1,457
Amount appropriated for expenditure, pursuant to spending rate policy	(760)
Balance, June 30, 2020	\$ 59,221

NOTE 3 Investments and fair value measurements

The fair value of investments totaled \$1,060,589 and \$1,043,712 at June 30, 2020 and 2019, respectively. The fair value of investments restricted for endowment totaled \$59,221 and \$57,367 at June 30, 2020 and 2019, respectively.

The following schedule summarizes investment returns and their classification in the statement

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

of activities for the year ended June 30, 2020:

	Without donor restrictions	With donor restrictions	Total
Interest and dividend income	\$ 30,297	\$ 1,157	\$ 31,454
Net unrealized gains (losses)	(12,430)	1,457	(10,973)
Total investment return, net	\$ 17,867	\$ 2,614	\$ 20,481

The following schedule summarizes investment returns and their classification in the statement of activities for the year ended June 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Interest and dividend income	\$ 31,057	\$ 1,124	\$ 32,181
Net unrealized gains	1,992	640	2,632
Total investment return, net	\$ 33,049	\$ 1,764	\$ 34,813

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

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Certificate of deposits: Valued at principal value

U.S. government and agency securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

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.

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:

	<u>2020</u>	<u>2019</u>
Level 1 - Quoted prices:		
Money market funds	\$ 270,935	\$ 124,300
Certificate of deposits	379,411	300,012
Government and agency securities	-	199,707
Common stock	2,638	2,731
Mutual funds	<u>466,826</u>	<u>474,329</u>
Total level 1	1,119,810	1,101,079
Level 2 - Other significant observable inputs	-	-
Level 3 - Significant unobservable inputs	<u>-</u>	<u>-</u>
Total	<u>\$1,119,810</u>	<u>\$ 1,101,079</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, 2021 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, 2020 and 2019, there were no borrowings outstanding.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019 amounted to \$79,502 and \$148,137, respectively.

NOTE 6 Related party transactions

The Association and 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 years ended June 30, 2020 and 2019.

The Association charged the Trustee a management fee of \$12,000 for years ended June 30, 2020 and 2019.

Included in accounts receivable at June 30, 2019 is \$2,165 due from the Trustee.

Due to related party represents amounts owed to the Trustee in the amount of \$20,000 and \$5,910, at June 30, 2020 and 2019, respectively.

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

NOTE 7 Lease commitments

In addition to the rental of office space and equipment from the Trustee, the Association leases premises in Montrose, Pennsylvania under an operating lease. The lease terminates in June 2021, with the option to extend for an additional three-year period. Also, the Association rents additional space in Pittston, Pennsylvania under an operating lease. The lease terminates in August 2022.

Rent expense incurred in 2020 and 2019 under non-related party leases was \$30,233 and \$32,340, respectively.

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

2021	\$	30,233
2022		<u>10,233</u>
	\$	<u>40,466</u>

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019, approximately 56% and 60%, respectively, of the Association's total revenues and other support is received from Luzerne County Children and Youth Services.

NOTE 9 Liquidity and funds available

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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,482,386	\$ 587,142
Accounts receivable	566,425	478,871
Investments	<u>1,060,589</u>	<u>1,043,712</u>
Total financial assets available for general expenditure within one year	<u>\$ 3,109,400</u>	<u>\$ 2,109,725</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, 2020. In addition to the above amounts, the Association has a line of credit from a local bank.

NOTE 10 Refundable advance

On April 7, 2020, the Association, applied for and was granted a loan from a bank in the aggregate amount of \$523,400, pursuant to the Paychex Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a note dated May 7, 2020, matures on May 7, 2022 and bears an interest rate of 1% per annum, payable monthly commencing seven months from the date of the note. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, rent, interest and utilities, incurred during the covered period (24-week period commencing from May 7, 2020). The Association intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

The Association has accounted for the loan in accordance with FASB ASC-958-605 as a refundable advance and will recognize the conditional contribution once the conditions of release have been substantially met or explicitly waived.

NOTE 11 Deferred revenue

The following table provides information about significant changes in deferred revenue for the years ended June 30, 2020 and 2019:

	2020	2019
Deferred revenue, beginning of year	\$ 37,827	\$ 109,343
Revenue recognized that was included in deferred revenue at the beginning of year	(37,827)	(109,343)
Increases in deferred revenue due to cash received during the year	340,128	37,827
Deferred revenue, end of year	\$ 340,128	\$ 37,827

NOTE 12 Risks and uncertainties

In December 2019, a novel strain of coronavirus ("Covid-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus had the potential to cause business disruption to the Company beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. The Company expects this matter may have a negative impact on the Company's future results, the extent of the impact of the COVID-19 on the Company will depend on future developments, including the duration and spread of the outbreak, which are highly uncertain and cannot be predicted.

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 Functional expenses

Functional expenses for the year ended June 30, 2020 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	\$ -	\$ 39,776	\$ -	\$ -	\$ 1,047	\$ 70	\$ -	40,893	\$ 4,740	\$ -	\$ 45,633
Bank charges	-	-	-	-	-	-	-	-	2,531	-	2,531
Bank interest	-	-	-	-	-	-	-	-	162	-	162
Conferences and conventions	1,055	1,045	-	-	4,931	4,042	795	11,868	3,051	-	14,919
Depreciation	-	5,750	-	-	-	-	-	5,750	18,004	-	23,754
Disaster recovery	-	722	-	-	-	-	-	722	-	-	722
Dues	-	5,745	-	183	2,805	3,160	-	11,893	6,264	-	18,157
Insurance	-	-	-	-	-	-	-	-	22,442	-	22,442
Meals and entertainment	-	-	-	-	-	-	-	-	-	20,519	20,519
Miscellaneous	90	9	-	1,687	-	3,458	-	5,244	2,735	-	7,979
Office equipment	-	8,323	-	-	243	637	11,543	20,746	13,138	-	33,884
Personnel	111,123	607,341	69,769	118,897	183,131	146,942	1,188,500	2,425,703	329,523	-	2,755,226
Postage	300	498	450	350	338	467	2,559	4,962	1,536	-	6,498
Printing	265	796	-	28	-	39	182	1,310	1,220	-	2,530
Professional fees	11,019	1,454	150	483	3,418	4,665	42,762	63,951	34,106	-	98,057
Rent	-	10,233	-	-	20,000	-	51,300	81,533	68,700	-	150,233
Supplies	310	1,672	1,724	5	5,171	381	4,463	13,726	12,616	-	26,342
Telephone	-	8,385	-	269	1,896	-	24,794	35,344	2,165	-	37,509
Travel	278	6,243	2,220	5,316	4,112	993	36,865	56,027	960	-	56,987
Utilities	-	1,596	-	-	-	-	-	1,596	14,321	-	15,917
Total expenses by function	124,440	699,588	74,313	127,218	227,092	164,854	1,363,763	2,781,268	538,214	20,519	3,340,001
Less expenses included with revenues on the statement of activities:											
Cost of direct benefit to donors	-	-	-	-	-	-	-	-	-	(20,519)	(20,519)
Total expenses included on the statement of activities	\$ 124,440	\$ 699,588	\$ 74,313	\$ 127,218	\$ 227,092	\$ 164,854	\$ 1,363,763	\$ 2,781,268	\$ 538,214	\$ -	\$ 3,319,482

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Functional expenses for the year ended June 30, 2019 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	\$ -	\$ 17,387	\$ -	\$ -	\$ 1,605	\$ 441	\$ -	19,433	\$ 11,903	\$ -	\$ 31,336
Bank charges	-	-	-	-	-	-	-	-	2,755	-	2,755
Bank interest	-	-	-	-	-	-	-	-	41	-	41
Conferences and conventions	1,131	-	-	55	1,313	780	512	3,791	-	-	3,791
Depreciation	-	5,933	-	-	-	-	-	5,933	18,462	-	24,395
Disaster recovery	-	934	-	-	-	-	-	934	-	-	934
Dues	160	5,803	-	2,760	2,729	220	190	11,862	10,261	-	22,123
Insurance	-	-	-	-	-	-	-	-	21,229	-	21,229
Meals and entertainment	-	-	-	-	-	-	-	-	-	47,588	47,588
Miscellaneous	260	-	-	2,728	-	700	-	3,688	474	-	4,162
Office equipment	-	11,090	-	-	1,893	182	11,681	24,846	20,673	-	45,519
Personnel	158,371	588,419	70,429	115,847	192,950	115,762	1,021,633	2,263,411	354,333	-	2,617,744
Postage	61	126	146	28	109	487	7,525	8,482	3,316	-	11,798
Printing	21	1,350	-	26	39	-	21	1,457	1,937	-	3,394
Professional fees	14,405	6,389	150	666	18,770	5,077	62,274	107,731	35,407	-	143,138
Rent	-	9,380	-	-	21,100	-	41,500	71,980	80,360	-	152,340
Supplies	1,251	4,044	1,423	362	5,215	2,413	9,746	24,454	8,987	-	33,441
Telephone	21	11,832	-	264	1,695	-	10,859	24,671	2,670	-	27,341
Travel	1,012	11,093	2,993	6,948	5,287	884	50,039	78,256	14,939	-	93,195
Utilities	-	2,596	-	-	66	-	-	2,662	14,122	-	16,784
Total expenses by function	176,693	676,376	75,141	129,684	252,771	126,946	1,215,980	2,653,591	601,869	47,588	3,303,048
Less expenses included with revenues on the statement of activities:											
Cost of direct benefit to donors	-	-	-	-	-	-	-	-	-	(47,588)	(47,588)
Total expenses included on the statement of activities	\$ 176,693	\$ 676,376	\$ 75,141	\$ 129,684	\$ 252,771	\$ 126,946	\$ 1,215,980	\$ 2,653,591	\$ 601,869	\$ -	\$ 3,255,460

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

SCHEDULE OF PROGRAMS AND SUPPORTING ACTIVITIES

YEAR ENDED JUNE 30, 2020

	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	\$ 103,096	\$ 419,837	\$ -	\$ 74,011	\$ 225,153	\$ -	\$ 1,954,799	\$ 2,776,896	\$ -	\$ 2,776,896
Grants	-	175,473	18,000	1,350	10,865	-	-	205,688	2,500	208,188
United Way contributions	-	95,385	32,800	-	4,080	-	-	132,265	-	132,265
Other contributions	-	3,017	1,600	5,930	1,805	1,125	-	13,477	18,546	32,023
Special events, net of costs of direct benefits to donors of \$20,519	-	-	-	-	4,400	139,609	-	144,009	(559)	143,450
Other revenue	7,310	115,097	-	-	3,071	-	-	125,478	13,997	139,475
Investment return, net	-	-	-	-	-	-	-	-	20,481	20,481
Total revenues and other support	110,406	808,809	52,400	81,291	249,374	140,734	1,954,799	3,397,813	54,965	3,452,778
Expenses:										
Advertising	-	39,776	-	-	1,047	70	-	40,893	4,740	45,633
Bank charges	-	-	-	-	-	-	-	-	2,531	2,531
Bank interest	-	-	-	-	-	-	-	-	162	162
Conferences and conventions	1,055	1,045	-	-	4,931	4,042	795	11,868	3,051	14,919
Depreciation	-	5,750	-	-	-	-	-	5,750	18,004	23,754
Disaster recovery	-	722	-	-	-	-	-	722	-	722
Dues	-	5,745	-	183	2,805	3,160	-	11,893	6,264	18,157
Insurance	-	-	-	-	-	-	-	-	22,442	22,442
Miscellaneous	90	9	-	1,687	-	3,458	-	5,244	2,735	7,979
Office equipment	-	8,323	-	-	243	637	11,543	20,746	13,138	33,884
Personnel	111,123	607,341	69,769	118,897	183,131	146,942	1,188,500	2,425,703	329,523	2,755,226
Postage	300	498	450	350	338	467	2,559	4,962	1,536	6,498
Printing	265	796	-	28	-	39	182	1,310	1,220	2,530
Professional fees	11,019	1,454	150	483	3,418	4,665	42,762	63,951	34,106	98,057
Rent	-	10,233	-	-	20,000	-	51,300	81,533	68,700	150,233
Supplies	310	1,672	1,724	5	5,171	381	4,463	13,726	12,616	26,342
Telephone	-	8,385	-	269	1,896	-	24,794	35,344	2,165	37,509
Travel	278	6,243	2,220	5,316	4,112	993	36,865	56,027	960	56,987
Utilities	-	1,596	-	-	-	-	-	1,596	14,321	15,917
Total expenses	124,440	699,588	74,313	127,218	227,092	164,854	1,363,763	2,781,268	538,214	3,319,482
Increase (decrease) in net assets	\$ (14,034)	\$ 109,221	\$ (21,913)	\$ (45,927)	\$ 22,282	\$ (24,120)	\$ 591,036	\$ 616,545	\$ (483,249)	\$ 133,296

FAMILY SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA

SCHEDULE OF PROGRAMS AND SUPPORTING ACTIVITIES

YEAR ENDED JUNE 30, 2019

	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
Program revenue and governmental contracts	\$ 170,427	\$ 439,241	\$ -	\$ 61,917	\$ 260,636	\$ -	\$ 2,105,394	\$ 3,037,615	\$ -	\$ 3,037,615
Grants	-	194,778	12,000	3,825	500	-	-	211,103	-	211,103
United Way contributions	-	61,868	-	-	4,275	-	-	66,143	-	66,143
Other contributions	-	2,274	-	500	11,129	2,502	-	16,405	6,741	23,146
Special events, net of costs of direct benefits to donors of \$38,937	-	-	-	-	24,963	98,146	-	123,109	(1,086)	122,023
Other revenue	580	3,077	-	2,414	2,601	-	-	8,672	13,556	22,228
Investment return, net	-	-	-	-	-	(285)	-	(285)	35,098	34,813
Total revenues and other support	171,007	701,238	12,000	68,656	304,104	100,363	2,105,394	3,462,762	54,309	3,517,071
Expenses:										
Advertising	-	17,387	-	-	1,605	441	-	19,433	11,903	31,336
Bank charges	-	-	-	-	-	-	-	-	2,755	2,755
Bank interest	-	-	-	-	-	-	-	-	41	41
Conferences and conventions	1,131	-	-	55	1,313	780	512	3,791	-	3,791
Depreciation	-	5,933	-	-	-	-	-	5,933	18,462	24,395
Disaster recovery	-	934	-	-	-	-	-	934	-	934
Dues	160	5,803	-	2,760	2,729	220	190	11,862	10,261	22,123
Insurance	-	-	-	-	-	-	-	-	21,229	21,229
Miscellaneous	260	-	-	2,728	-	700	-	3,688	474	4,162
Office equipment	-	11,090	-	-	1,893	182	11,681	24,846	20,673	45,519
Personnel	158,371	588,419	70,429	115,847	192,950	115,762	1,021,633	2,263,411	354,333	2,617,744
Postage	61	126	146	28	109	487	7,525	8,482	3,316	11,798
Printing	21	1,350	-	26	39	-	21	1,457	1,937	3,394
Professional fees	14,405	6,389	150	666	18,770	5,077	62,274	107,731	35,407	143,138
Rent	-	9,380	-	-	21,100	-	41,500	71,980	80,360	152,340
Supplies	1,251	4,044	1,423	362	5,215	2,413	9,746	24,454	8,987	33,441
Telephone	21	11,832	-	264	1,695	-	10,859	24,671	2,670	27,341
Travel	1,012	11,093	2,993	6,948	5,287	884	50,039	78,256	14,939	93,195
Utilities	-	2,596	-	-	66	-	-	2,662	14,122	16,784
Total expenses	176,693	676,376	75,141	129,684	252,771	126,946	1,215,980	2,653,591	601,869	3,255,460
Increase (decrease) in net assets	\$ (5,686)	\$ 24,862	\$ (63,141)	\$ (61,028)	\$ 51,333	\$ (26,583)	\$ 889,414	\$ 809,171	\$ (547,560)	\$ 261,611