

CITIZEN ADVOCACY OF CHESTER COUNTY

FINANCIAL STATEMENTS

Years Ended September 30, 2019 and 2018



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Citizen Advocacy of Chester County
Phoenixville, Pennsylvania**

We have audited the accompanying financial statements of Citizen Advocacy of Chester County (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the 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 auditor's 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizen Advocacy of Chester County as of September 30, 2019 and 2018, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, effective October 1, 2018, Citizen Advocacy of Chester County adopted FASB ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Herbein + Company, Inc.

**Reading, Pennsylvania
January 21, 2020**

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF FINANCIAL POSITION

	September 30	
	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 93,120	\$ 78,145
Grants receivable	-	5,000
	<u>93,120</u>	<u>83,145</u>
TOTAL CURRENT ASSETS	93,120	83,145
LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Leasehold improvements	6,285	6,285
Office equipment	4,258	4,258
	<u>10,543</u>	<u>10,543</u>
Less: accumulated depreciation	<u>(10,046)</u>	<u>(9,889)</u>
NET LEASEHOLD IMPROVEMENTS AND EQUIPMENT	<u>497</u>	<u>654</u>
TOTAL ASSETS	<u><u>\$ 93,617</u></u>	<u><u>\$ 83,799</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 7,750	\$ 5,852
NET ASSETS		
Without donor restrictions	<u>85,867</u>	<u>77,947</u>
TOTAL NET ASSETS	<u>85,867</u>	<u>77,947</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 93,617</u></u>	<u><u>\$ 83,799</u></u>

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF ACTIVITIES

	Year Ended September 30	
	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUES		
Support:		
Community Coalition	\$ 46,000	\$ 50,000
Contributions from events	109,249	92,503
Foundation awards	9,475	12,040
Contributions	54,562	41,690
In-kind contributions	1,135	1,553
Total support	<u>220,421</u>	<u>197,786</u>
Revenues:		
Interest income	<u>60</u>	<u>68</u>
TOTAL SUPPORT AND REVENUES	220,481	197,854
PROGRAM EXPENSES		
Advocacy efforts	178,394	156,076
SUPPORTING SERVICES		
Management and general	9,329	8,047
Fundraising	<u>24,838</u>	<u>23,059</u>
TOTAL EXPENSES	<u>212,561</u>	<u>187,182</u>
CHANGE IN NET ASSETS	7,920	10,672
NET ASSETS AT BEGINNING OF YEAR	<u>77,947</u>	<u>67,275</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 85,867</u></u>	<u><u>\$ 77,947</u></u>

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended September 30, 2019				Year Ended September 30, 2018			
	Program Services Advocacy Efforts	Supporting Services			Program Services Advocacy Efforts	Supporting Services		
		Management and General	Fundraising	Total		Management and General	Fundraising	Total
Salaries	\$ 107,321	\$ 6,168	\$ 9,868	\$ 123,357	\$ 88,769	\$ 5,102	\$ 8,162	\$ 102,033
Employee benefits	12,483	717	1,148	14,348	12,087	695	1,111	13,893
Payroll taxes	8,871	510	816	10,197	7,055	405	649	8,109
Rent	7,410	390	-	7,800	7,410	390	-	7,800
Professional services	8,538	449	-	8,987	8,006	421	-	8,427
Postage	1,032	54	-	1,086	189	10	-	199
Telephone and internet	2,578	136	-	2,714	2,700	143	-	2,843
Utilities	2,251	119	-	2,370	2,589	136	-	2,725
Training	2,190	115	-	2,305	2,033	108	-	2,141
Insurance	1,308	69	-	1,377	3,427	180	-	3,607
Event expense	13,006	-	13,006	26,012	13,138	-	13,137	26,275
Depreciation	149	8	-	157	124	7	-	131
Office and supplies	10,221	539	-	10,760	7,373	388	-	7,761
Annual appeal	1,036	55	-	1,091	1,176	62	-	1,238
TOTAL FUNCTIONAL EXPENSES	\$ 178,394	\$ 9,329	\$ 24,838	\$ 212,561	\$ 156,076	\$ 8,047	\$ 23,059	\$ 187,182

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF CASH FLOWS

	Year Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,920	\$ 10,672
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	157	131
Changes in:		
Grants receivable	5,000	-
Accounts payable	1,898	632
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	14,975	11,435
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	-	(785)
NET INCREASE IN CASH	14,975	10,650
CASH AT BEGINNING OF YEAR	78,145	67,495
CASH AT END OF YEAR	\$ 93,120	\$ 78,145

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

Citizen Advocacy of Chester County (the "Organization") is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania. The purpose of the Organization is promoting, protecting, and defining the welfare and interests of, and justice for, people who are diminished in status or are seriously, physically, or socially isolated through one-to-one unpaid voluntary commitments made to them by people who have the needed skills and resources.

For the year ended September 30, 2019, the Organization received approximately 33% of its total support from two sources, the Community Coalition, a related party, and a major donor. For the year ended September 30, 2018, the Organization received approximately 25% of its total support from one source, the Community Coalition, a related party.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

For the purpose of reporting the statements of cash flows, the Organization considers money market funds to be cash equivalents in the operating fund. The Organization places its cash in high credit quality institutions. At times, balances may exceed federally insured limits.

Accounts and Grants Receivable

The Organization bases its accounts and grants receivable on the subsequent receipt of awards for expenses recognized during the reporting period. Therefore, accounts receivable are recorded at their net realizable value and no allowance account is necessary.

Leasehold Improvement and Equipment

Expenditures for the acquisition of leasehold improvements and equipment are capitalized at cost. Donations of leasehold improvements and equipment are recorded as contributions at their fair market value.

Depreciation of leasehold improvements and equipment is computed by the straight-line method over useful lives of 15 years for leasehold improvements and 5 to 10 years for equipment.

Maintenance and repairs of leasehold improvements and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of leasehold improvements and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. Construction in progress is stated at cost and consists primarily of costs incurred in the construction of building improvements. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received, and expenses incurred in conducting the Organization's charitable mission are included in this category.

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Organization has been limited by donors to later periods of time or after specified dates, or to specified purposes.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Contributions

The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

Donated Services

Donated services are recognized as revenue (sponsorship and other revenue) in accordance with accounting standards if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers and board members also provide services to benefit the Organization throughout the year that are not recognized as contributions in the financial statements since the criteria for recognition are not met.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expense Allocations

As reported in the statement of functional expenses, expenses of the Organization have been allocated to the following functional reporting classifications: Program Services, Management and General, and Fundraising.

Expenses directly attributable to a specific functional area are reported as expenses of those functions. The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Tax-Exempt Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization annually files federal and state information returns as required. There is no current year provision for federal or state income taxes. In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required.

Adoption of FASB ASU No. 2016-14

The Organization adopted FASB ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, the previously existing three-category classification of net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) is replaced with a model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used. The guidance for classifying deficiencies in endowment funds ("underwater endowments") and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been clarified. New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Note 6 discloses the extent to which the balance sheet comprises financial assets, the extent to which those assets can be converted to cash within one year, and any limitations that would preclude their current use. This standard is effective for fiscal years beginning after December 15, 2017. The Organization adopted this standard for the year ended September 30, 2019, with retroactive application for the year October 1, 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through January 21, 2020, the date the financial statements were available to be issued.

NOTE 2 - LEASE COMMITMENT

The Organization leases office space on a month-to-month basis with monthly lease payments of \$650. Total rental expense was \$7,800 for each of the years ended September 30, 2019 and 2018.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Organization recognized contributions from Community Coalition of \$46,000 and \$50,000 for the years ended September 30, 2019 and 2018, respectively. Members of the Citizen Advocacy board serve on the board of the Community Coalition.

NOTE 4 - SPECIAL EVENT REVENUES/EXPENSES

Special event revenues and expenses are summarized as follows as of September 30:

	2019		2018	
	Revenues	Expenses	Revenues	Expenses
Race	\$ 32,989	\$ 11,411	\$ 27,526	\$ 12,098
Theater	50,540	10,219	46,091	10,314
Raffle	21,174	3,824	14,574	3,027
Spaghetti dinner	4,546	558	4,312	836
	<u>\$ 109,249</u>	<u>\$ 26,012</u>	<u>\$ 92,503</u>	<u>\$ 26,275</u>

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 5 - ENDOWMENT FUNDS

The Organization is the recipient of endowment funds from monies directly deposited to a fund held by the Chester County Community Foundation. The Organization has the ability to use an amount equal to 5% of the June 30 asset value of the endowment held with the Foundation for appropriate charitable use. These monies are deemed to be the Chester County Community Foundation's assets and, as such, are not recorded on these financial statements. The value of this fund as of September 30, 2019 and 2018 was \$45,942 and \$47,935, respectively. The Organization received trust fund income of \$2,423 and \$2,473 (included with contributions) during the years ended September 30, 2019 and 2018, respectively.

NOTE 6 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets available as of September 30, 2019 and 2018, reduced by amounts not for general use within one year because of contractual or donor imposed restrictions due within one year. The Organization's financial assets include cash and grants receivables. The organization has no restricted funds.

	<u>2019</u>	<u>2018</u>
Cash	\$ 93,120	\$ 78,145
Grants receivable	<u>-</u>	<u>5,000</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 93,120</u>	<u>\$ 83,145</u>

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 7 - NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2019, with early application permitted. The Organization is evaluating the impact this standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The new ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 clarifies that benefits received by the general public is not the same as the resource provider receiving that benefit and that the execution of the resource provider's mission does not equate to commensurate value. The ASU also provides guidance for distinguishing between condition and unconditional contributions. A conditional contribution must have (1) a barrier that must be overcome, AND (2) a right of return or release of the donor obligation. Conditional contributions received are accounted for as a liability, while conditional pledges are unrecognized. In each instance, when the barriers to entitlement are overcome, the related revenue is recognized and classified in the appropriate net asset class. The effective date is for fiscal years beginning after December 15, 2018, with early implementation permitted. The Organization is evaluating the impact of this standard on the financial statements.