

CITIZEN ADVOCACY OF CHESTER COUNTY

FINANCIAL STATEMENTS

Years Ended September 30, 2017 and 2016



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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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Herbein + Company, Inc.

**Reading, Pennsylvania
March 6, 2018**

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF FINANCIAL POSITION

	September 30	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 67,495	\$ 84,258
Grants receivable	5,000	10,000
Prepaid expenses	-	650
	<u>72,495</u>	<u>94,908</u>
TOTAL CURRENT ASSETS	72,495	94,908
LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Leasehold improvements	6,285	6,285
Office equipment	3,473	3,473
	<u>9,758</u>	<u>9,758</u>
Less: accumulated depreciation	<u>(9,758)</u>	<u>(9,758)</u>
NET LEASEHOLD IMPROVEMENTS AND EQUIPMENT	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 72,495</u></u>	<u><u>\$ 94,908</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 5,220	\$ 5,100
NET ASSETS		
Unrestricted	67,275	85,808
Temporarily restricted	-	4,000
	<u>67,275</u>	<u>89,808</u>
TOTAL NET ASSETS	<u>67,275</u>	<u>89,808</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 72,495</u></u>	<u><u>\$ 94,908</u></u>

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF ACTIVITIES

	Year Ended September 30	
	2017	2016
CHANGE IN UNRESTRICTED NET ASSETS		
Support and Revenues		
Support:		
Community Coalition	\$ 51,000	\$ 59,100
Special events, net of direct expenses of \$29,813 - 2017 and \$24,226 - 2016	53,410	67,563
Foundation awards	12,150	10,600
Contributions	30,064	26,418
In-kind contributions	4,297	3,763
Total support	<u>150,921</u>	<u>167,444</u>
Revenues:		
Interest income	94	111
Net assets released from restriction	4,000	-
	<u>155,015</u>	<u>167,555</u>
TOTAL SUPPORT AND REVENUES		
Program Expenses		
Advocacy efforts	153,751	148,814
Supporting Services		
Management and general	8,679	8,396
Fundraising	11,118	10,718
	<u>173,548</u>	<u>167,928</u>
TOTAL EXPENSES		
	<u>173,548</u>	<u>167,928</u>
CHANGE IN UNRESTRICTED NET ASSETS		
	(18,533)	(373)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Support		
Foundation awards	-	4,000
Net assets released from restriction	(4,000)	-
	<u>(4,000)</u>	<u>4,000</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
	(4,000)	4,000
CHANGE IN NET ASSETS		
	(22,533)	3,627
NET ASSETS AT BEGINNING OF YEAR	<u>89,808</u>	<u>86,181</u>
	<u>89,808</u>	<u>86,181</u>
NET ASSETS AT END OF YEAR		
	<u>\$ 67,275</u>	<u>\$ 89,808</u>

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended September 30, 2017				Year Ended September 30, 2016				
	Program Services Advocacy Efforts	Supporting Services Management and General		Fundraising	Total	Program Services Advocacy Efforts	Supporting Services Management and General		Fundraising
Salaries	\$ 101,336	\$ 5,824	\$ 9,318	\$ 116,478	\$ 98,195	\$ 5,643	\$ 9,030	\$ 112,868	
Employee benefits	11,618	668	1,068	13,354	10,608	610	975	12,193	
Rent	7,410	390	-	7,800	7,410	390	-	7,800	
Payroll taxes	7,961	458	732	9,151	7,751	445	713	8,909	
Professional services	7,647	402	-	8,049	7,196	379	-	7,575	
Postage	834	44	-	878	769	41	-	810	
Telephone and internet	2,336	123	-	2,459	2,376	125	-	2,501	
Utilities	2,254	119	-	2,373	2,286	120	-	2,406	
Training	51	3	-	54	226	12	-	238	
Travel	-	-	-	-	153	8	-	161	
Insurance	2,388	126	-	2,514	2,419	127	-	2,546	
Depreciation	-	-	-	-	474	25	-	499	
Office and supplies	8,696	458	-	9,154	7,559	398	-	7,957	
Annual appeal	1,220	64	-	1,284	1,392	73	-	1,465	
TOTAL FUNCTIONAL EXPENSES	\$ 153,751	\$ 8,679	\$ 11,118	\$ 173,548	\$ 148,814	\$ 8,396	\$ 10,718	\$ 167,928	

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF CASH FLOWS

	Year Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (22,533)	\$ 3,627
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	-	499
Changes in:		
Grants receivable	5,000	(10,000)
Prepaid expenses	650	-
Accounts payable	120	110
	<u>(16,763)</u>	<u>(5,764)</u>
NET DECREASE IN CASH	(16,763)	(5,764)
CASH AT BEGINNING OF YEAR	<u>84,258</u>	<u>90,022</u>
CASH AT END OF YEAR	<u>\$ 67,495</u>	<u>\$ 84,258</u>

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

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.

The largest amount of support is received from the Community Coalition, a related party. This source of revenue accounts for approximately 34% and 35% of the Organization's support and revenues for the years ended September 30, 2017 and 2016, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has elected to show restricted contributions with restrictions that are met in the reporting period in which the contribution is made as unrestricted support.

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.

Contributions

The Organization classifies all contributions as unrestricted, temporarily restricted or permanently restricted depending on the existence or nature of any donor restrictions.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Services

Although no value is included, the Organization receives significant volunteer hours per year. The value of these contributed services does not meet the criteria for recognition in the financial statements.

Fixed Assets

Fixed assets are recorded at cost at the time of purchase. The leasehold improvements and equipment are depreciated using the straight-line method over their estimated useful life of 5 to 15 years.

Tax Exempt Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization files annual information returns as required. In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required.

Functional Expense Allocations

Expenses relating to more than one function are allocated to program and supporting services based on employee time estimates, program utilization, square footage, or other appropriate usage factors.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through March 6, 2018, 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, 2017 and 2016.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Organization recognized contributions from Community Coalition of \$51,000 and \$59,100 for the years ended September 30, 2017 and 2016, respectively. Members of the Citizen Advocacy board serve on the board of the Community Coalition.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 4 - SPECIAL EVENT REVENUES/EXPENSES

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

	2017		2016	
	Revenues	Expenses	Revenues	Expenses
Race	\$ 22,991	\$ 12,961	\$ 32,782	\$ 11,356
Theater	40,867	12,082	41,709	8,409
Raffle	15,100	3,787	13,400	3,485
Spaghetti dinner	4,265	983	3,898	976
	<u>\$ 83,223</u>	<u>\$ 29,813</u>	<u>\$ 91,789</u>	<u>\$ 24,226</u>

NOTE 5 - NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30:

	2017	2016
2016-2017 General Operating	\$ -	\$ 4,000

Net assets released from restrictions by satisfying the restricted purposes for the years ended September 30 are as follows:

	2017	2016
2016-2017 General Operating	\$ 4,000	\$ -

NOTE 6 - 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, 2017 was \$48,761. The Organization received trust fund income of \$2,482 during the year ended September 30, 2017.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 7 - NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40)*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year, making it effective for fiscal years beginning after December 15, 2018. The Organization is evaluating the impact of this standard on the financial statements.

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 August 2016, the FASB issued 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 existing three-category classification of net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) will be 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 will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Entities will be required to disclose (on the face of the statement or in notes) 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, with early application permitted. This standard should be applied on a retrospective basis in the year that the standard is first applied. The Organization is evaluating the impact of this standard on the financial statements.