

CITIZEN ADVOCACY OF CHESTER COUNTY

FINANCIAL STATEMENTS

Years Ended September 30, 2018 and 2017



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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, 2018 and 2017, 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, 2018 and 2017, 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 7, 2019**

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CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF FINANCIAL POSITION

	September 30	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 78,145	\$ 67,495
Grants receivable	<u>5,000</u>	<u>5,000</u>
TOTAL CURRENT ASSETS	83,145	72,495
LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Leasehold improvements	6,285	6,285
Office equipment	<u>4,258</u>	<u>3,473</u>
	10,543	9,758
Less: accumulated depreciation	<u>(9,889)</u>	<u>(9,758)</u>
NET LEASEHOLD IMPROVEMENTS AND EQUIPMENT	<u>654</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 83,799</u></u>	<u><u>\$ 72,495</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 5,852	\$ 5,220
NET ASSETS		
Unrestricted	<u>77,947</u>	<u>67,275</u>
TOTAL NET ASSETS	<u>77,947</u>	<u>67,275</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 83,799</u></u>	<u><u>\$ 72,495</u></u>

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF ACTIVITIES

	Year Ended September 30	
	2018	2017
CHANGE IN UNRESTRICTED NET ASSETS		
Support and Revenues		
Support:		
Community Coalition	\$ 50,000	\$ 51,000
Special events, net of direct expenses of \$26,275 - 2018 and \$29,813 - 2017	66,228	53,410
Foundation awards	12,040	12,150
Contributions	41,690	30,064
In-kind contributions	1,553	4,297
Total support	<u>171,511</u>	<u>150,921</u>
Revenues:		
Interest income	68	94
Net assets released from restriction	<u>-</u>	<u>4,000</u>
TOTAL SUPPORT AND REVENUES	171,579	155,015
Program Expenses		
Advocacy efforts	142,938	153,751
Supporting Services		
Management and general	8,047	8,679
Fundraising	<u>9,922</u>	<u>11,118</u>
TOTAL EXPENSES	<u>160,907</u>	<u>173,548</u>
CHANGE IN UNRESTRICTED NET ASSETS	10,672	(18,533)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Support		
Net assets released from restriction	<u>-</u>	<u>(4,000)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>-</u>	<u>(4,000)</u>
CHANGE IN NET ASSETS	10,672	(22,533)
NET ASSETS AT BEGINNING OF YEAR	<u>67,275</u>	<u>89,808</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 77,947</u></u>	<u><u>\$ 67,275</u></u>

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended September 30, 2018				Year Ended September 30, 2017			
	Program Services Advocacy Efforts	Supporting Services			Program Services Advocacy Efforts	Supporting Services		
		Management and General	Fundraising	Total		Management and General	Fundraising	Total
Salaries	\$ 88,769	\$ 5,102	\$ 8,162	\$ 102,033	\$ 101,336	\$ 5,824	\$ 9,318	\$ 116,478
Employee benefits	12,087	695	1,111	13,893	11,618	668	1,068	13,354
Rent	7,410	390	-	7,800	7,410	390	-	7,800
Payroll taxes	7,055	405	649	8,109	7,961	458	732	9,151
Professional services	8,006	421	-	8,427	7,647	402	-	8,049
Postage	189	10	-	199	834	44	-	878
Telephone and internet	2,700	143	-	2,843	2,336	123	-	2,459
Utilities	2,589	136	-	2,725	2,254	119	-	2,373
Training	2,033	108	-	2,141	51	3	-	54
Insurance	3,427	180	-	3,607	2,388	126	-	2,514
Depreciation	124	7	-	131	-	-	-	-
Office and supplies	7,373	388	-	7,761	8,696	458	-	9,154
Annual appeal	1,176	62	-	1,238	1,220	64	-	1,284
TOTAL FUNCTIONAL EXPENSES	\$ 142,938	\$ 8,047	\$ 9,922	\$ 160,907	\$ 153,751	\$ 8,679	\$ 11,118	\$ 173,548

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF CASH FLOWS

	Year Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,672	\$ (22,533)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	131	-
Changes in:		
Grants receivable	-	5,000
Prepaid expenses	-	650
Accounts payable	632	120
	11,435	(16,763)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	11,435	(16,763)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(785)	-
	(785)	-
NET INCREASE (DECREASE) IN CASH	10,650	(16,763)
CASH AT BEGINNING OF YEAR	67,495	84,258
CASH AT END OF YEAR	\$ 78,145	\$ 67,495

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

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 29% and 34% of the Organization's support and revenues for the years ended September 30, 2018 and 2017, 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, 2018 and 2017

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 7, 2019, 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, 2018 and 2017.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Organization recognized contributions from Community Coalition of \$50,000 and \$51,000 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017

NOTE 4 - SPECIAL EVENT REVENUES/EXPENSES

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

	2018		2017	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Race	\$ 27,526	\$ 12,098	\$ 22,991	\$ 12,961
Theater	46,091	10,314	40,867	12,082
Raffle	14,574	3,027	15,100	3,787
Spaghetti dinner	4,312	836	4,265	983
	<u>\$ 92,503</u>	<u>\$ 26,275</u>	<u>\$ 83,223</u>	<u>\$ 29,813</u>

NOTE 5 - NET ASSETS

There were no temporarily restricted net assets as of September 30, 2018 and 2017.

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

	<u>2018</u>	<u>2017</u>
2017-2018 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, 2018 was \$47,935. The Organization received trust fund income of \$2,473 during the year ended September 30, 2018.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

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.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

NOTE 7 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

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.