

CITIZEN ADVOCACY OF CHESTER COUNTY

FINANCIAL STATEMENTS

Years Ended September 30, 2020 and 2019



TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 12



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

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, 2020 and 2019, 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, 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.

Herbein + Company, Inc.

**Reading, Pennsylvania
February 10, 2021**

Succeed With Confidence

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF FINANCIAL POSITION

	September 30	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 177,569	\$ 93,120
Prepaid expenses	826	-
	<u>178,395</u>	<u>93,120</u>
TOTAL CURRENT ASSETS	178,395	93,120
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>(10,203)</u>	<u>(10,046)</u>
NET LEASEHOLD IMPROVEMENTS AND EQUIPMENT	<u>340</u>	<u>497</u>
TOTAL ASSETS	<u><u>\$ 178,735</u></u>	<u><u>\$ 93,617</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,470	\$ 7,750
Deferred revenue	16,855	-
Paycheck Protection Program Loan	<u>28,352</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	51,677	7,750
NET ASSETS		
Without donor restrictions - undesignated	73,058	85,867
Without donor restrictions - board designated operating reserve	<u>54,000</u>	<u>-</u>
TOTAL NET ASSETS	<u>127,058</u>	<u>85,867</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 178,735</u></u>	<u><u>\$ 93,617</u></u>

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF ACTIVITIES

	Year Ended September 30	
	2020	2019
WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUES		
Community Coalition	\$ 56,057	\$ 46,000
Contributions from events	65,381	109,249
Foundation awards	15,864	9,475
Contributions	107,384	55,697
Interest income	1,125	60
	<u>245,811</u>	<u>220,481</u>
TOTAL SUPPORT AND REVENUES		
PROGRAM EXPENSES		
Advocacy efforts	173,418	178,394
SUPPORTING SERVICES		
Management and general	9,162	9,329
Fundraising	22,040	24,838
	<u>204,620</u>	<u>212,561</u>
TOTAL EXPENSES		
	41,191	7,920
CHANGE IN NET ASSETS		
NET ASSETS AT BEGINNING OF YEAR	<u>85,867</u>	<u>77,947</u>
NET ASSETS AT END OF YEAR	<u>\$ 127,058</u>	<u>\$ 85,867</u>

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended September 30, 2020				Year Ended September 30, 2019			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Advocacy Efforts	Management and General	Fundraising	Total	Advocacy Efforts	Management and General	Fundraising	Total
Salaries	\$ 100,197	\$ 5,758	\$ 9,214	\$ 115,169	\$ 107,321	\$ 6,168	\$ 9,868	\$ 123,357
Employee benefits	16,179	930	1,488	18,597	12,483	717	1,148	14,348
Payroll taxes	6,978	401	642	8,021	8,871	510	816	10,197
Rent	7,410	390	-	7,800	7,410	390	-	7,800
Professional services	8,312	437	-	8,749	8,538	449	-	8,987
Postage	608	32	-	640	1,032	54	-	1,086
Telephone and internet	2,673	141	-	2,814	2,578	136	-	2,714
Utilities	2,879	152	-	3,031	2,251	119	-	2,370
Training	2,272	120	-	2,392	2,190	115	-	2,305
Insurance	2,330	123	-	2,453	1,308	69	-	1,377
Event expense	10,696	-	10,696	21,392	13,006	-	13,006	26,012
Depreciation	149	8	-	157	149	8	-	157
Office and supplies	10,213	538	-	10,751	10,221	539	-	10,760
Annual appeal and campaign	2,522	132	-	2,654	1,036	55	-	1,091
TOTAL FUNCTIONAL EXPENSES	\$ 173,418	\$ 9,162	\$ 22,040	\$ 204,620	\$ 178,394	\$ 9,329	\$ 24,838	\$ 212,561

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF CASH FLOWS

	Year Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 41,191	\$ 7,920
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	157	157
Changes in:		
Grants receivable	-	5,000
Prepaid expenses	(826)	-
Accounts payable and accrued expenses	(1,280)	1,898
Deferred revenues	16,855	-
	<u>16,855</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	56,097	14,975
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from paycheck protection program loan	<u>28,352</u>	<u>-</u>
NET INCREASE IN CASH	84,449	14,975
CASH AT BEGINNING OF YEAR	<u>93,120</u>	<u>78,145</u>
CASH AT END OF YEAR	<u><u>\$ 177,569</u></u>	<u><u>\$ 93,120</u></u>

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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, 2020, the Organization received approximately 39% of its total support from two sources, the Community Coalition and a major donor, both of which are related parties. For the year ended September 30, 2019, the Organization received approximately 33% of its total support from two sources, the Community Coalition and a major donor, both of which are related parties.

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

For the purpose of the statements of cash flows, the Organization considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash. The Organization places its cash in high credit quality institutions. At times, cash balances may exceed federally insured limits in deposit accounts at banks.

Leasehold Improvements and Equipment

Purchased leasehold improvements and equipment are capitalized at cost. Donations of leasehold improvements and equipment are recorded as contributions at their fair market value. The Organization's policy is to capitalize any assets in excess of \$1,000 with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Leasehold improvements	15 years
Office equipment	5 - 10 years

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, 2020 and 2019

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.

Revenue Recognition

In accordance with Financial Accounting Standards Board (FASB), Accountings Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), the Organization recognizes revenue when control of the promised goods or services is transferred to the Organization's outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The standard outlines a five-step process whereby revenue is recognized as performance obligations within a contract are satisfied. The Organization records the following exchange transaction revenue in its statement of activities:

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. The fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statement of activities. The performance obligation is delivery of the event. For special event fees received before year end for an event to occur after year end, the Organization treats the inherent contribution as a condition on the event taking place and is therefore treated as deferred revenue along with the exchange component.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contribution Revenue

The Organization recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

The Organization records unconditional contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time. When donor restrictions expire, that is when a purpose restriction is fulfilled or a time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the statement of activities as net assets released from restrictions. When donor restrictions are met in the same period of receipt, the contributions are recorded as net assets without donor restrictions.

Donated Services and Materials

Gifts of property and equipment are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

Donated materials and certain services are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. There was no donated equipment during the years ended September 30, 2020 and 2019.

A number of unpaid volunteers, which include the directors of the Institute, have made significant contributions of their time toward developing and achieving the Institute's goals and objectives. The value of such contributions of the volunteers is not reflected in these statements since it is not susceptible to objective measurement or valuation.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

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.

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 10, 2021, the date the financial statements were available to be issued.

Adoption of Accounting Pronouncements

The Organization adopted FASB No. 2014-09, ASU 606, *Revenue from Contracts with Customers* ("Topic 606"), on October 1, 2019. Topic 606 supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The financial statements reflect the application of ASC 606 guidance using the modified retrospective approach with application to all contracts open as of October 1, 2019. There was no impact on the revenue recognized or net assets for the year ended September 30, 2019.

During the year, the Organization also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. Topic 958 was applied, with no effect on the financial statements as a result of the adoption.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE 2 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization qualified for and received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$28,352. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA.

The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The Organization will recognize the forgiven portion of the loan upon notification of forgiveness by the SBA.

To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum through the maturity date. The PPP Loan may be accelerated upon the occurrence of an event of default. On June 5, 2020, the Paycheck Protection Flexibility Act (the "Act") was signed into law, which allows the Organization and the lender to amend certain terms of the loan in accordance with the Act. The Act also extended the repayment deferral period which is now defined as (1) when the loan forgiveness is determined by the SBA or (2) ten months after the end of the borrower's covered period if forgiveness is not requested.

NOTE 3 - 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, 2020 and 2019. Subsequent to year end, the lease was terminated in December 2020.

In September 2020, the Organization entered into a lease agreement for office space for the period of one year beginning in October 2020 through September 2021. Monthly rental payments are \$400.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Organization recognized contributions from Community Coalition of \$56,057 and \$46,000 for the years ended September 30, 2020 and 2019, 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, 2020 and 2019

NOTE 5 - EVENT REVENUES/EXPENSES

Event revenues and expenses are summarized as follows as of September 30:

	2020		2019	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Race	\$ 10,168	\$ 10,836	\$ 32,989	\$ 11,411
Theater	41,525	5,580	50,540	10,219
Raffle	13,688	4,394	21,174	3,824
Spaghetti dinner	-	582	4,546	558
	<u>\$ 65,381</u>	<u>\$ 21,392</u>	<u>\$ 109,249</u>	<u>\$ 26,012</u>

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, 2020 and 2019 was \$46,536 and \$45,942, respectively. The Organization received trust fund income of \$2,309 and \$2,423 (included with contributions) during the years ended September 30, 2020 and 2019, respectively.

NOTE 7 - COVID-19 PANDEMIC

In March 2020, the World Health Foundation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has caused major disruptions worldwide. The ongoing pandemic poses increased and unexpected business risks. The specific impact of the pandemic and the duration of this disruption is not determinable as of the report date; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management is carefully monitoring the impact of the pandemic and taking steps to mitigate the impact. The Organization was able to continue operations and is mainly supported by contributions and grants from the public and foundations. Events held by the Organization were held virtually or rescheduled to the next fiscal year.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE 8 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets available as of September 30, 2020 and 2019, reduced by amounts not for general use within one year because of board designated or donor imposed restrictions due within one year. The Organization's financial assets include cash. The Organization has board designated funds.

	<u>2020</u>	<u>2019</u>
Cash	<u>\$ 177,569</u>	<u>\$ 93,120</u>
Total financial assets available to meet cash needs for general expenses within one year	177,569	93,120
Less amounts not available due to board designated restrictions:		
Board designated funds - operating reserve	<u>(54,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 123,569</u>	<u>\$ 93,120</u>

The Organization adopted a liquidity policy to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The board designated operating reserve will provide a source of internal funds for Organization priorities such as program opportunity and capacity building.

NOTE 9 - 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. In July 2019, the FASB deferred the effective date of ASU No. 2016-02 one year, making it effective for fiscal years beginning after December 15, 2021. The Organization is evaluating the impact this standard will have on the financial statements.