

FAMILY SERVICES
OF WARREN COUNTY, INC.

FINANCIAL STATEMENTS

December 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Family Services of Warren County, Inc:

We have reviewed the accompanying financial statements of Family Services of Warren County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express an opinion.

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 conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis of reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis in our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2018 financial statements were audited by us, and we expressed an unqualified opinion on them in our report dated January 14, 2020, but we have not performed any auditing procedures since that date.

Kersey + Associates, P.C.

Warren, Pennsylvania
November 19, 2020

FAMILY SERVICES OF WARREN COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2019

	Assets	
	2019 (Reviewed)	2018 (Audited)
Current Assets:		
Cash	\$ 21,173	\$ 30,312
Grant receivable	-	7,500
Accounts receivable, net	38,661	36,867
Accrued income	909	551
Prepaid expenses	10,321	12,430
Total Current Assets	71,064	87,660
Investments	1,020,266	880,960
Property and Equipment, Net	23,423	28,510
Total Assets	\$ 1,114,753	\$ 997,130
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 12,950	\$ 5,341
Accrued payroll taxes and withholdings	8,840	6,610
Total Current Liabilities	21,790	11,951
Net Assets:		
Without donor restrictions	1,090,838	985,179
With donor restrictions	2,125	-
Total Net Assets	1,092,963	985,179
Total Liabilities and Net Assets	\$ 1,114,753	\$ 997,130

See Accompanying Notes to Financial Statements

FAMILY SERVICES OF WARREN COUNTY, INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2019

With Summarized Comparative Information for the Year Ended December 31, 2018

	<u>2019</u> <u>(Reviewed)</u>	<u>2018</u> <u>(Audited)</u>
Without Donor Restrictions:		
Revenues, gains, and other support:		
Fees for services	\$ 533,070	\$ 591,689
Contributions	22,762	40,803
Bequests and memorials	7,042	7,956
Fundraising projects	14,143	14,685
Investment income, net of fees	13,073	11,894
Net realized/unrealized investment gains (losses)	167,416	(79,564)
Miscellaneous income	128	158
Net assets released from restrictions	<u>44,900</u>	<u>45,036</u>
Total Revenues, Gains, and Other Support	<u>802,534</u>	<u>632,657</u>
 Expenses and losses:		
Program services	574,918	612,764
Support services:		
Management and general	99,762	82,340
Fundraising	<u>22,195</u>	<u>30,664</u>
Total Expenses and Losses	<u>696,875</u>	<u>725,768</u>
 Excess of Revenue, Gains, and Other Support over Expenses	<u>105,659</u>	<u>(93,111)</u>
Change in Net Assets without Donor Restrictions	<u>105,659</u>	<u>(93,111)</u>
 With Donor Restrictions:		
United Fund grant	44,900	44,800
Contributions	2,125	236
Net assets released from restrictions	<u>(44,900)</u>	<u>(45,036)</u>
Change in Net Assets with Donor Restrictions	<u>2,125</u>	<u>-</u>
 Change in Net Assets	 107,784	 (93,111)
 Net Assets, Beginning of Year	 <u>985,179</u>	 <u>1,078,290</u>
 Net Assets, End of Year	 <u>\$ 1,092,963</u>	 <u>\$ 985,179</u>

See Accompanying Notes to Financial Statements

FAMILY SERVICES OF WARREN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

With Summarized Comparative Information for the Year Ended December 31, 2018

	Program Services	Support Services		2019	2018
		Management and General	Fund- raising	(Reviewed) Total	(Audited) Total
Salaries and wages	\$ 394,077	\$ 67,593	\$ 14,371	\$ 476,041	\$ 494,321
Payroll taxes	32,628	5,501	1,212	39,341	43,599
Employee benefits:					
Retirement	7,833	1,505	251	9,589	11,855
Health insurance	50,174	2,019	554	52,747	54,693
Workers' compensation	2,614	413	89	3,116	2,990
Total Personnel Costs	487,326	77,031	16,477	580,834	607,458
Accounting	-	12,175	-	12,175	4,950
Advertising and promotions	1,563	378	53	1,994	3,902
Communications	4,243	671	143	5,057	4,667
Contracted services	15,306	1,623	347	17,276	18,309
Dues	189	30	6	225	220
Insurance	4,198	664	142	5,004	5,087
Maintenance	1,191	188	40	1,419	1,749
Professional development	5,528	163	3	5,694	5,347
Publications	190	30	6	226	221
Supplies	11,669	1,490	296	13,455	14,425
Postage	946	148	31	1,125	1,078
Travel	3,878	-	-	3,878	2,514
Uncollectible fees	2,493	-	-	2,493	5,161
Occupancy	22,228	3,513	752	26,493	25,938
Fundraising expense	-	-	3,545	3,545	3,100
Bank charges	2,003	315	67	2,385	1,916
Meals	1,220	50	11	1,281	2,773
Hotel	2,022	-	-	2,022	6,352
Miscellaneous	549	-	-	549	-
Depreciation	8,176	1,293	276	9,745	10,601
Total Expenses	\$ 574,918	\$ 99,762	\$ 22,195	\$ 696,875	\$ 725,768

See Accompanying Notes to Financial Statements

FAMILY SERVICES OF WARREN COUNTY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

With Summarized Comparative Information for the Year Ended December 31, 2018

	2019 <u>(Reviewed)</u>	2018 <u>(Audited)</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 107,784	\$ (93,111)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,745	10,601
Realized and unrealized (gains) losses	(167,416)	79,564
Donor restricted contributions	(2,125)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	5,706	4,212
(Increase) decrease in prepaid expenses	2,109	(749)
(Increase) decrease in accrued income	(358)	(323)
Increase (decrease) in accounts payable	7,609	(3,400)
Increase (decrease) in accrued payroll taxes and withholdings	2,230	1,336
Net Cash Provided by (Used in) Operating Activities	<u>(34,716)</u>	<u>(1,870)</u>
Cash Flows from Investing Activities:		
Purchase of equipment and leasehold improvements	(4,658)	(2,414)
Increase (decrease) in cash held for investment	14,860	(16,448)
Proceeds from sales of investments	484,903	340,371
Purchases of investments	<u>(471,653)</u>	<u>(335,494)</u>
Net Cash Provided by (Used in) Investing Activities	<u>23,452</u>	<u>(13,985)</u>
Cash Flows from Financing Activities:		
Donor restricted contributions	<u>2,125</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>2,125</u>	<u>-</u>
Change in Cash	(9,139)	(15,855)
Cash, Beginning of Year	<u>30,312</u>	<u>46,167</u>
Cash, End of Year	<u>\$ 21,173</u>	<u>\$ 30,312</u>

See Accompanying Notes to Financial Statements

FAMILY SERVICES OF WARREN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 1 - Summary of Significant Accounting Policies

Nature of Activities - Family Services of Warren County, Inc. (the Organization), is an organization whose mission is to promote healthy families, living in a healthy community, by serving, preventing, and advocating. The Organization helps others with care and support through counseling, education, consultation, community initiatives, and increased public awareness.

The major source of revenue for the Organization is fees for counseling services provided to individuals and families in Warren County. Other sources of support include annual grants from a local church, the United Fund of Warren County, and various government grants providing community service programming.

Major Programs - The Organization's major programs are as follows:

Counseling and Group Therapy Services - The Organization provides individual, family, couples, and group therapy to those in need in Warren County and surrounding areas. The Organization also provides educational support groups to help meet the needs of the community. These support groups include an Anger Management Group, a Healthy Relationships Program, and a DUI Intervention Program.

Substance Abuse Services - The Organization provides Outpatient and Intensive Outpatient therapy services to individuals with substance use disorders. The Organization is licensed by the Department of Drug and Alcohol Programs, Pennsylvania Department of Health. In addition to providing substance use disorder treatment, the Organization also provides educational group services such as a recovery group held at the Warren County Jail and the DUI Intervention Program. Finally, staff provides treatment to individuals that struggle with non-substance-based addictions.

Community Outreach Services - The Organization is a partner with the 21st Century program and provides quarterly parent involvement presentations for the Warren County School District.

Basis of Presentation - The accompanying financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America. Net assets, support, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions - Net assets subject to either donor-imposed or other legal restrictions on the use of the assets that may be met either by actions of the Organization or the passage of time.

Investment return is reflected on the statement of operations and changes in net assets as changes in net assets without donor restrictions or changes in net assets with donor restrictions, based upon the existence and nature of any donor legally imposed restrictions.

FAMILY SERVICES OF WARREN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Support - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

Revenues - The Organization has a sliding fee arrangement that provides for fee adjustments based upon the client's ability to pay. Fee revenue is recognized net of these adjustments.

Property and Depreciation - Property acquisitions are recorded at cost and depreciation is provided over the estimated useful life of the asset using the straight-line method. The Organization capitalizes land, building, and equipment in excess of \$500 at cost if purchased or fair value if contributed.

Accounts Receivable - Accounts receivable is recorded at the net realizable value for services or goods provided. The Organization does not charge a finance charge on receivables and therefore does not have a policy for recognition of past due receivables. Receivables are generally charged off after collection efforts are exhausted.

Uncollectible Fees - An allowance for uncollectible fees is recorded, based upon management's judgment. Management considers historical loss experience, economic conditions, third-party liability, and the financial condition of the debtor. Receivables are reviewed quarterly and are considered past due when all third-party liability is established and paid, and the private pay portion has been outstanding more than 30 days from the date of service.

Investments - Investments are stated at fair market value, based upon public quotations.

Fair Value Measurements - Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's judgments about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs, as follows:

Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments are not applied to level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations are based on quoted prices in markets that are not active, or for which all inputs are observable, directly or indirectly.

Level 3 - Valuations are based on inputs that are not observable and are significant to the overall fair value measurement.

FAMILY SERVICES OF WARREN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - The Organization has not recorded a liability for compensated absences because the amount cannot be reasonably estimated.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except those cash equivalents held within its investment accounts.

Donated Services - No amounts are reflected for services contributed, because no objective basis is available to measure the value of such services; however, volunteers and board members assist in fundraising projects.

Donated Property - The Organization recognizes assets received as a donation at the fair market value of the property on the date of the gift.

Functional Expenses - Expenses by function have been allocated among program and support service classifications by specific identification, on the basis of salaries and wages, or occupancy expenditures, based on management's estimate.

Income Taxes - The Organization follows ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of uncertain tax positions.

Advertising Costs - Advertising costs of expensed as incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Liquidity and Availability

The following represents the Organization's financial assets (cash and cash equivalents, grant receivable, accounts receivable, and investments) as of December 31, 2019 and 2018, available for general operations within one year of the statement of financial position date:

	<u>2019</u>	<u>2018</u>
Financial assets	<u>\$1,081,009</u>	<u>\$ 956,190</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$1,081,009</u>	<u>\$ 956,190</u>

There is no written policy in place for the Organization to access funds in the cash or investments account. If needed, the board is made aware of a need for funds for general operations, typically payroll related needs. The board votes to approve a request made by management.

FAMILY SERVICES OF WARREN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 3 - Investments

Investments are stated at fair market value as of December 31, 2019 and 2018. Investment return includes interest, dividends, and other investment income; realized and unrealized gains and losses on investments, and investment management fees. Total investment return is reflected on the statement of operations and changes in net assets and is comprised of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Investment income	\$ 21,996	\$ 20,675
Investment management fees	<u>(8,923)</u>	<u>(8,781)</u>
Investment income, net of fees	13,073	11,894
Realized and unrealized gains (losses)	<u>167,416</u>	<u>(79,564)</u>
Total investment gain (loss)	<u>\$ 180,489</u>	<u>\$ (67,670)</u>

Investment income, realized and unrealized gains and losses, and investment management fees are reported as a component of excess of revenue and support over expenses. Investment management fees are netted against investment income on the statement of operations and changes in net assets.

Note 4 - Fair Value Measurements

The following table represents the Organization's investments as of December 31, 2019, that are measured at fair market value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 35,872	\$ -	\$ -	\$ 35,872
Fixed income mutual funds	279,796	-	-	279,796
Equity mutual funds	657,582	-	-	657,582
Other investments	<u>47,016</u>	-	-	<u>47,016</u>
	<u>\$1,020,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,020,266</u>

There have been no changes in methodologies used during the period presented.

Investments are measured as follows:

Cash equivalents are measured at cost, which approximates fair market value.

Equity mutual funds and fixed income mutual funds are valued at the net asset value of the fund as published by the mutual fund's management.

Equity mutual funds and fixed income mutual funds are valued at the net asset value of the fund as published by the mutual fund's management.

FAMILY SERVICES OF WARREN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 4 - Fair Value Measurements (Continued)

Other investments include a real estate mutual fund, as well as other miscellaneous mutual funds. These investments are valued at the net asset value as published by the fund managers.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective future fair values. Furthermore, while the Organization believes its value methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5 - Pension Plan

The Organization maintains a SIMPLE plan for all eligible employees. Under the Plan, employees may contribute part of their compensation to the Plan. The Organization matches the employee contribution up to 3% of annual compensation. The cost for 2019 was \$9,589.

Note 6 - Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified as other than a private foundation. Accordingly, no provision for income taxes has been made. Tax returns for the year ended December 31, 2017, and, thereafter, remain subject to examination by federal and state tax authorities.

Note 7 - Property and Equipment

Property and equipment as of December 31, 2019, was as follows:

Leasehold improvements	\$ 44,415
Equipment and furniture	166,890
	<hr/>
	211,305
Less: Accumulated depreciation	187,882
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	\$ 23,423
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Note 8 - Significant Concentrations of Credit Risk

The Organization grants credit for fees for services to its clients, substantially all of whom live in Warren County. Consequently, the Organization's ability to collect amounts due from clients is affected by the local economy. The amount of accounting loss that would occur if these clients failed to pay their accounts would be \$38,661. The Organization does not require collateral to support its accounts receivable.

FAMILY SERVICES OF WARREN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 9 - Concentrations

The Organization received \$44,900 in public support from the United Fund of Warren County, Inc. Loss of this support would severely impact the Organization's operations.

Invested assets which potentially expose the Organization to concentrations of market risk include cash and cash equivalents and investments. As a matter of policy, the Organization maintains invested assets with a financial institution. Concentration of credit risk for investments is mitigated by the distribution of funds among different investment types.

The Organization's operations are concentrated in the Warren County, Pennsylvania, area. Fluctuations in the economy of the geographic area could affect the Organization's service fees, revenue, and the ability of its clients to pay amounts due to the Organization.

Note 10 - Leases

The Organization leases office space from the Pennsylvania Department of Public Welfare at the Warren State Hospital complex. The lease term is for one year, with automatic renewals, and may be canceled by either party with 30 days notice prior to the expiration of the current term. The annual rent is \$1, and the Organization is responsible for a monthly utility charge to the Warren State Hospital. The monthly utility charge is adjustable every July 1st. The current monthly charge is \$1,882. Occupancy charges were \$26,493 for 2019. The Organization is responsible for minor repairs and routine maintenance. Warren State Hospital is responsible for all major repairs.

Note 11 - Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Note 12 - Grants Receivable

Family Services is a United Fund of Warren County participating agency. It receives an annual grant that is generally payable in four quarterly installments. The Organization accounts for United Fund income with donor restrictions since it is solicited and received as operating support for a period of time, specifically the calendar year immediately following the campaign.

Note 13 - Accounts Receivable

Accounts receivable from the provision of services are as follows at December 31, 2019:

FAMILY SERVICES OF WARREN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 13 - Accounts Receivable (Continued)

Accounts receivable - client charges	\$ 43,460
Allowance for doubtful accounts	<u>4,799</u>
Net Accounts Receivable	<u><u>\$ 38,661</u></u>

Approximately \$3,473 of client charges are ninety days or more past due. This amount includes third-party insurance reimbursements. Many of the long-term accounts receivable are client charges involving the Warren County Probation Department collections system. Those on probation make weekly or monthly payments to cover restitution, fines and costs, and treatment. These payments generally consist of small installments over long periods.

Note 14 - Net Assets

Net assets with donor restrictions were comprised of the following at December 31, 2019:

	<u>Beginning Balance</u>	<u>Amounts Received</u>	<u>Restrictions Released</u>	<u>Ending Balance</u>
United Fund grant for 2019	\$ -	\$ 44,900	\$ 44,900	\$ -
EMDR restricted contribution	-	1,725	-	1,725
Kiwanis restricted contribution	-	400	-	400
	<u>\$ -</u>	<u>\$ 47,025</u>	<u>\$ 44,900</u>	<u>\$ 2,125</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the expiration of periods of time during which the assets were to be used as specified by donors.

Note 15 - Subsequent Events

Management has evaluated subsequent events through November 19, 2020, the date that the financial statements were available to be issued.

In March, 2020, all Pennsylvania businesses and organizations that are not life-sustaining were ordered closed due to the COVID-19 pandemic. Although the Organization continues to operate, the COVID-19 pandemic has brought uncertain economic conditions to every organization. An estimate of its financial effect or range of loss, if any, cannot be made at this time.

Note 16 - Accounting Changes

In 2018, the Organization adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* This accounting standards update significantly amends the financial reporting requirements for nonprofit organizations and the presentation of their financial statements related to liquidity and availability of financial resources, financial performance, and cash flow.

FAMILY SERVICES OF WARREN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 16 - Accounting Changes (Continued)

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash.*" ASU No. 2016-18 provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The Organization adopted ASU 2016-18 in 2019.