

Community Progress Council, Inc.

**Financial Statements and
Supplementary Information**

June 30, 2019 and 2018



Community Progress Council, Inc.

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June 30, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
Community Progress Council, Inc.
York, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Community Progress Council, Inc. (the Council), which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, changes in net assets, functional expenses - by natural classification, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Community Progress Council, Inc. as of June 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.

Other Matter - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

RKH LLP

November 25, 2019
York, Pennsylvania

Community Progress Council, Inc.

Statement of Financial Position

	June 30,	
	2019	2018
Assets		
Current Assets		
Cash	\$ 522	\$ 336
Accounts receivable	943,637	1,093,508
Promises to give	50,000	-
Prepaid expenses	135,223	127,050
Total Current Assets	1,129,382	1,220,894
Property and Equipment, Net	627,599	565,629
Other Assets		
Restricted cash	53,500	-
Promises to give	150,000	-
Total Other Assets	203,500	-
Total Assets	\$ 1,960,481	\$ 1,786,523
Liabilities and Net Assets		
Current Liabilities		
Lines of credit	\$ -	\$ 52,331
Accounts payable	115,908	179,936
Refundable advances	186,365	197,315
Payroll taxes withheld and accrued	76,657	88,682
Total Liabilities	378,930	518,264
Net Assets		
Without donor restrictions	1,328,551	1,268,259
With donor restrictions	253,000	-
Total Net Assets	1,581,551	1,268,259
Total Liabilities and Net Assets	\$ 1,960,481	\$ 1,786,523

Community Progress Council, Inc.

Statement of Activities

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grant and contract revenue	\$ 11,571,860	\$ -	\$ 11,571,860
In-kind contributions	223,177	-	223,177
Contributions	161,190	253,000	414,190
Other income	50,932	-	50,932
Loss on disposal of property and equipment	-	-	-
Total Support and Revenue	12,007,159	253,000	12,260,159
Expenses			
Program services	10,427,669	-	10,427,669
Supporting services			
Management and general	1,519,198	-	1,519,198
Total Expenses	11,946,867	-	11,946,867
Changes in Net Assets	\$ 60,292	\$ 253,000	\$ 313,292

Community Progress Council, Inc.

Statement of Activities (continued)

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grant and contract revenue	\$ 11,171,130	\$ -	\$ 11,171,130
In-kind contributions	256,416	-	256,416
Contributions	94,279	-	94,279
Other income	24,883	-	24,883
Loss on disposal of property and equipment	(5,838)	-	(5,838)
Total Support and Revenue	<u>11,540,870</u>	<u>-</u>	<u>11,540,870</u>
Expenses			
Program services	10,132,698	-	10,132,698
Supporting services			
Management and general	<u>1,265,395</u>	<u>-</u>	<u>1,265,395</u>
Total Expenses	<u>11,398,093</u>	<u>-</u>	<u>11,398,093</u>
Changes in Net Assets	<u>\$ 142,777</u>	<u>\$ -</u>	<u>\$ 142,777</u>

Community Progress Council, Inc.

Statement of Changes in Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets at June 30, 2017	\$ 1,125,482	\$ -	\$ 1,125,482
Changes in net assets	<u>142,777</u>	<u>-</u>	<u>142,777</u>
Net Assets at June 30, 2018	1,268,259	-	1,268,259
Changes in net assets	<u>60,292</u>	<u>253,000</u>	<u>313,292</u>
Net Assets at June 30, 2019	<u>\$ 1,328,551</u>	<u>\$ 253,000</u>	<u>\$ 1,581,551</u>

Community Progress Council, Inc.

Statement of Functional Expenses - by Natural Classification

	Year Ended June 30, 2019		
		Supporting Services	
	Program Services	Management and General	Totals
Salaries and wages	\$ 6,332,682	\$ 807,221	\$ 7,139,903
Employee benefits and payroll taxes	1,861,360	179,155	2,040,515
Rent	371,272	36,788	408,060
Food	254,605	-	254,605
Supplies	212,212	27,435	239,647
Staff development	172,525	46,762	219,287
Contracted services	21,059	195,759	216,818
Utilities	190,624	6,157	196,781
Repairs and maintenance	130,089	31,424	161,513
Classroom supplies	160,469	-	160,469
Enrollment costs	147,693	-	147,693
Transportation	114,552	3,499	118,051
Depreciation	117,972	-	117,972
Computer software and support	75,153	40,437	115,590
Specific assistance	84,806	-	84,806
Insurance	70,833	3,582	74,415
Advertising	7,818	48,847	56,665
Professional services	-	42,578	42,578
Equipment purchases	17,378	24,790	42,168
Real estate taxes	19,244	-	19,244
Dues and memberships	6,262	12,597	18,859
Miscellaneous	20,746	517	21,263
Reproduction expense	10,533	4,228	14,761
Parent activity	13,066	-	13,066
Internet	8,156	525	8,681
Postage	5,632	1,272	6,904
Bank fees	38	3,658	3,696
Interest	-	1,967	1,967
Field trips	890	-	890
	<u>\$ 10,427,669</u>	<u>\$ 1,519,198</u>	<u>\$ 11,946,867</u>

Community Progress Council, Inc.

Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended June 30, 2018		
		Supporting Services	
	Program Services	Management and General	Totals
Salaries and wages	\$ 6,279,343	\$ 729,414	\$ 7,008,757
Employee benefits and payroll taxes	1,874,954	157,194	2,032,148
Rent	360,008	36,803	396,811
Food	261,853	3,206	265,059
Supplies	137,822	13,084	150,906
Staff development	134,321	48,494	182,815
Contracted services	32,203	93,135	125,338
Utilities	170,108	5,882	175,990
Repairs and maintenance	85,576	10,247	95,823
Classroom supplies	87,072	-	87,072
Enrollment costs	166,169	-	166,169
Transportation	99,540	1,207	100,747
Depreciation	101,159	-	101,159
Computer software and support	28,123	11,023	39,146
Specific assistance	146,734	-	146,734
Insurance	72,847	4,011	76,858
Advertising	10,597	57,825	68,422
Professional services	-	39,538	39,538
Equipment purchases	18,782	20,623	39,405
Real estate taxes	19,244	-	19,244
Dues and memberships	8,782	11,658	20,440
Miscellaneous	3,627	2,729	6,356
Reproduction expense	11,121	2,811	13,932
Parent activity	6,290	-	6,290
Internet	7,694	529	8,223
Postage	7,294	1,300	8,594
Bank fees	-	3,955	3,955
Interest	-	10,727	10,727
Field trips	1,435	-	1,435
	<u>\$ 10,132,698</u>	<u>\$ 1,265,395</u>	<u>\$ 11,398,093</u>

Community Progress Council, Inc.

Statement of Cash Flows

	Years Ended June 30,	
	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	\$ 313,292	\$ 142,777
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	117,972	101,159
Loss on disposal of property and equipment	-	5,838
In-kind contributions - contributed property and equipment	-	(29,009)
(Increase) decrease in assets		
Accounts receivable	149,871	(115,916)
Promises to give	(200,000)	-
Prepaid expenses	(8,173)	(125,396)
Security deposits	-	2,761
Increase (decrease) in liabilities		
Accounts payable	(64,028)	108,816
Refundable advances	(10,950)	56,903
Payroll taxes withheld and accrued	(12,025)	(817)
Net Cash Provided by Operating Activities	285,959	147,116
Cash Flows from Investing Activities		
Capital expenditures	(179,942)	(199,331)
Net Cash Used in Investing Activities	(179,942)	(199,331)
Cash Flows from Financing Activities		
Net change in lines of credit	(52,331)	52,331
Net Cash Provided by (Used in) Financing Activities	(52,331)	52,331
Net Increase in Cash	53,686	116
Cash at Beginning of Year	336	220
Cash at End of Year	\$ 54,022	\$ 336
Cash is Comprised of the Following on the Statement of Financial Position		
Cash	\$ 522	\$ 336
Restricted cash	53,500	-
	\$ 54,022	\$ 336
Supplementary Cash Flows Information		
Interest paid	\$ 1,967	\$ 10,727

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 1 - Nature of Operations

Community Progress Council, Inc. (the Council), a Pennsylvania nonprofit corporation, was established to provide assistance to low and moderate income individuals and families in York County, Pennsylvania. The Council operates a variety of programs, including but not limited to Head Start and Early Head Start; Pre-K Counts; Women, Infants, and Children; Foster Grandparents; Work Ready; Housing Counseling and Education; Wrap Around Child Care; Self-Sufficiency and Outreach and Referral Programs. The Council's programs are funded by various federal, state, and local grants, allocations, and private donations. The Council's primary source of support and revenue is grant and contract revenue.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Use of Estimates

The preparation of financial statements in accordance 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 the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, support and revenue are recognized when earned and expenses are recognized when incurred.

Accounts Receivable

Accounts receivable are stated at outstanding balances. The Council considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Promises to Give

Promises to give are stated at outstanding balances. The Council considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost, if purchased, and at the fair value, if contributed. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of the assets. Maintenance, repairs, and minor renewals which do not significantly improve or extend the lives of the respective assets are charged to operations when incurred.

In some cases, the government will fund fixed asset purchases to be used in conjunction with government-funded programs. These fixed assets are capitalized at cost and depreciated using the straight-line method over the estimated useful life. The government could require that these assets be returned to them at the cessation of the program or denial of a contract up for renewal.

The Council's policy is to capitalize property and equipment of \$5,000 or more.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and discount rates reflecting varying degrees of perceived risk. The management of the Council concluded that no impairment adjustments were required during the years ended June 30, 2019 and 2018.

Net Assets

Net assets of the Council and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Council and/or the passage of time or must be maintained permanently by the Council.

Revenue Recognition

Certain grant revenue is deemed to be in respect of exchange transactions and is classified as revenue without donor restrictions or refundable advances, as appropriate, when received or receivable. Such grant revenue is not deemed to be a contribution, since the proceeds thereof are used to pursue objectives of the grantor.

Certain grant revenue is deemed to be a contribution and is classified as support with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions since the proceeds thereof are non-reciprocal, unconditional, and voluntary.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as increases in net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Council reports the support as support without donor restrictions.

In-kind Contributions

Contributed rent and supplies are reported in the accompanying financial statements at their fair market value at the time they are received.

During the years ended June 30, 2019 and 2018, a substantial number of individual volunteers and businesses have donated significant amounts of time to the Council's programs and administrative functions. These services do not meet the criteria for recognition as contributed services, and are not reflected on the accompanying financial statements.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs amounted to \$56,665 and \$68,422 for the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The cost of providing the Council's various programs and supporting services have been summarized on a functional basis in the statement of activities and statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general and fundraising expenses. Management estimates fundraising expenses to be insignificant and, therefore, fundraising expenses have not been segregated from management and general expenses. Expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the financial reporting for not-for-profit entities. The standard improves requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flow from operations. This guidance is effective for fiscal years beginning after December 15, 2017. The Council implemented this standard during the year ended June 30, 2019. The ASU has been applied retrospectively to all periods presented, which had no effect on net asset restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The guidance is effective for fiscal years beginning after December 15, 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for annual periods beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities.

The Council is currently evaluating the impact of the pending adoption of the new standards on the financial statements.

Note 3 - Tax-Exempt Status

The Council is a not-for-profit entity described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from income taxes on related activities pursuant to 509(a) of the Code. In addition, it was organized under the Pennsylvania Nonprofit Corporation Law and is exempt from state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Council, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Council had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Council is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before June 30, 2016.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 4 - Concentration of Credit Risk

At times during the years ended June 30, 2019 and 2018, the Council's cash balances may have exceeded the federally insured limit of \$250,000.

The Council's contracts are generally with government agencies, and a majority of its revenue is derived from these sources. For the years ended June 30, 2019 and 2018, 68% and 71%, respectively, of total revenue recognized by the Council is attributed to federal monetary sources.

Note 5 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the date of the statement of financial position, comprise the following as of June 30:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash	\$ 522	\$ 336
Accounts receivable	946,544	1,093,508
Promises to give	50,000	-
Restricted cash	53,500	-
	<u>1,050,566</u>	<u>1,093,844</u>
Total Financial Assets	1,050,566	1,093,844
Less Amounts that are Internally Designated or Externally Restricted		
Donor-imposed restrictions		
Self-sufficiency initiatives	(50,000)	-
Building maintenance	(25,000)	-
Diversity initiatives	(16,000)	-
Wrap Around Child Care program	(12,000)	-
	<u>(103,000)</u>	<u>-</u>
Total Amounts Not Available to be Used within One Year	(103,000)	-
Financial Assets Available to be Used within One Year	\$ 947,566	\$ 1,093,844

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

The Council also has lines of credit available to meet short-term needs (refer to Note 8).

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 6 - Promises to Give

Promises to give - self-sufficiency represent funds raised to support self-sufficiency initiatives. Management considered discounting the promises to give that were acquired during the year ended June 30, 2019, and are expected to be collected in more than one year, and determined the appropriate discount to be insignificant.

	<u>2019</u>	<u>2018</u>
Promises to give - self-sufficiency	<u>\$ 200,000</u>	<u>\$ -</u>

Due dates of promises to give, assuming no changes in current terms, consist of the following for the remaining four years ending June 30:

2020	\$ 50,000
2021	50,000
2022	50,000
2023	50,000
	<u>200,000</u>
	<u>\$ 200,000</u>

Note 7 - Property and Equipment

Property and equipment consist of the following as of June 30:

	<u>Useful Lives</u>	<u>2019</u>	<u>2018</u>
Equipment	10 years	\$ 1,713,390	\$ 1,634,992
Buildings and improvements	10 - 40 years	299,521	268,393
Land *		6,309	6,309
		<u>2,019,220</u>	1,909,694
Accumulated depreciation		<u>(1,391,621)</u>	<u>(1,344,065)</u>
		<u>\$ 627,599</u>	<u>\$ 565,629</u>

* Not depreciated

Depreciation for the years ended June 30, 2019 and 2018 amounted to \$117,972 and \$101,159, respectively.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 8 - Lines of Credit

The Council has a revolving line of credit with York Traditions Bank, which provides for borrowings up to \$1,200,000. Interest is charged at the highest prime rate published in the Wall Street Journal, which was 5.50% and 5.00% as of June 30, 2019 and 2018, respectively. The outstanding balance under this line of credit as of June 30, 2018 amounted to \$52,331. There was no outstanding balance as of June 30, 2019.

The Council also has a contingent line of credit with York Traditions Bank, which provides for borrowings up to \$2,000,000. Interest is charged at the bank's prime rate, which was 5.50% and 5.00% as of June 30, 2019 and 2018, respectively. There was no outstanding balance under this line of credit as of June 30, 2019 or 2018.

For the years ended June 30, 2019 and 2018, interest expense amounted to \$1,967 and \$10,727, respectively.

Note 9 - Refundable Advances

Refundable advances consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Pennsylvania Department of Education - Child and Adult Care Food program	\$ 76,388	\$ 41,915
Pennsylvania Department of Education - Head Start program	61,874	54,230
Pennsylvania Department of Education - Pre-K Counts program	24,954	-
Other deposits or advances	23,149	31,686
Pennsylvania Department of Human Services - Work Ready program	-	69,484
	<u>\$ 186,365</u>	<u>\$ 197,315</u>

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specified purpose		
Building maintenance	\$ 25,000	\$ -
Diversity initiatives	16,000	-
Wrap Around Child Care program	12,000	-
Subject to the passage of time		
Promises to give	200,000	-
	<u>\$ 253,000</u>	<u>\$ -</u>

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 11 - In-kind Contributions

In-kind contributions consist of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Rent	\$ 177,466	\$ 191,331
Supplies	45,711	36,076
Property and equipment	-	29,009
	<u>\$ 223,177</u>	<u>\$ 256,416</u>

In-kind contributions by program consist of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Head Start program	\$ 198,104	\$ 230,368
Foster Grandparent's program	25,073	26,048
	<u>\$ 223,177</u>	<u>\$ 256,416</u>

Note 12 - Contingent Liabilities

The Council participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their respective oversight agencies. The Council is potentially liable for any expenses, which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenses.

Note 13 - Retirement Plan

The Council sponsors a 401(k) defined contribution plan. Employees who meet certain eligibility requirements are eligible to participate in the plan. Under the terms of the plan, eligible employees are entitled to contribute up to the maximum amount permitted by law. The Council makes matching contributions equal to 100% of an employee's salary deferral, up to a maximum of 3% of their eligible compensation. Additionally, at the discretion of the Board of Directors, the Council may make a discretionary profit sharing contribution to the plan. Employer contributions to the plan for the years ended June 30, 2019 and 2018 amounted to \$167,294 and \$163,037, respectively.

Note 14 - Operating Leases

The Council has various operating lease agreements with local schools and churches for Head Start facilities, which require either no or significantly reduced rent payments. The fair market value of the facilities has been recorded by the Council in the statement of activities as an in-kind contribution (see Note 11). The leases renew annually, unless otherwise provided.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 14 - Operating Leases (continued)

The Council has entered into various other operating leases for facilities, which have varying monthly rental payments and terms.

Future minimum lease payments, assuming no changes in current terms, consist of the following for the remaining five years ending June 30:

2020	\$	114,453
2021		52,051
2022		52,741
2023		53,140
2024		33,519
		<hr/>
	\$	<u>305,904</u>

Total rent expense for the years ended June 30, 2019 and 2018 amounted to \$408,060 and \$396,811, respectively.

Note 15 - Reclassifications

Certain information in the 2018 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2019 financial statements.

Note 16 - Subsequent Events

Management of the Council has evaluated subsequent events through November 25, 2019. This date is the date the financial statements were available to be issued. No material events subsequent to June 30, 2019 were noted.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Community Progress Council, Inc.
York, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Progress Council, Inc. (the Council), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, changes in net assets, functional expenses - by natural classification, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RKL LLP

November 25, 2019
York, Pennsylvania



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Community Progress Council, Inc.
York, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Community Progress Council, Inc.'s (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2019. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Council as of and for the year ended June 30, 2019, and have issued our report thereon dated November 25, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RKL LLP

November 25, 2019
York, Pennsylvania

Community Progress Council, Inc.

Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA#	Pass-Through Grantor's #	Year Ended June 30, 2019			
			Accrued (Deferred) Revenue as of July 1, 2018	Federal Funds Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2019
U.S. Department of Agriculture						
Pass Through Programs from						
Pennsylvania Department of Health						
WIC Special Supplemental Nutrition Program for Women, Infants and Children	10.557	4100077910	\$ 236,286	\$ 1,243,590	\$ 1,234,202	\$ 226,898
Pennsylvania Department of Agriculture						
WIC Farmers' Market Nutrition Program (FMNP)	10.572	4100078128	-	8,314	8,314	-
Pennsylvania Department of Education						
Child and Adult Care Food Program	10.558	300671380	(41,915)	341,185	306,712	(76,388)
Total U.S. Department of Agriculture			<u>194,371</u>	<u>1,593,089</u>	<u>1,549,228</u>	<u>150,510</u>
U.S. Department of Housing and Urban Development						
Community Development Block Grants (CDBG) - Entitlement Grants Cluster						
Pass Through Programs from						
Pennsylvania Housing Finance Agency						
Housing Counseling Assistance Program	14.169	HC-18-03-41009	28,285	115,771	87,486	-
Housing Counseling Assistance Program	14.169	HC-19 (unassigned)	-	-	26,635	26,635
Total U.S. Department of Housing and Urban Development			<u>28,285</u>	<u>115,771</u>	<u>114,121</u>	<u>26,635</u>

Community Progress Council, Inc.

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA#	Pass-Through Grantor's #	Year Ended June 30, 2019			Accrued (Deferred) Revenue as of June 30, 2019
			Accrued (Deferred) Revenue as of July 1, 2018	Federal Funds Received	Expenditures	
U.S. Department of Health and Human Services						
Temporary Assistance for Needy Families (TANF) Cluster						
Pass Through Programs from Pennsylvania Department of Human Services Temporary Assistance for Needy Families	93.558	4100064753	45,084	183,937	263,728	124,875
Total Temporary Assistance for Needy Families (TANF) Cluster			45,084	183,937	263,728	124,875
Other Programs						
Pass Through Programs from Pennsylvania Department of Community and Economic Development Community Services Block Grant	93.569	C000057307	44,345	45,520	1,175	-
Community Services Block Grant	93.569	C000067070	135,431	922,516	980,689	193,604
Head Start	93.600	03CH339905	26,515	26,527	12	-
Head Start	93.600	03CH339906	77,761	301,651	223,890	-
Head Start	93.600	03CH01064301	-	3,497,633	3,512,741	15,108
Head Start	93.600	03CH01064302	-	25,840	116,692	90,852
Early Head Start	93.600	03CH344104	7,709	7,724	15	-
Early Head Start	93.600	03CH344105	47,872	1,336,668	1,295,114	6,318
Early Head Start	93.600	03CH01093401	-	18,636	88,222	69,586
Total Other Programs			339,633	6,182,715	6,218,550	375,468
Total U.S. Department of Health and Human Services			384,717	6,366,652	6,482,278	500,343
Corporation for National and Community Services						
Foster Grandparent/Senior Companion Cluster						
Foster Grandparent Program	94.011	16SFAPA004	32,496	237,347	232,640	27,789
Total Foster Grandparent/Senior Companion Cluster			32,496	237,347	232,640	27,789
Total Corporation for National and Community Services			32,496	237,347	232,640	27,789
Total Expenditures of Federal Awards			\$ 639,869	\$ 8,312,859	\$ 8,378,267	\$ 705,277

Community Progress Council, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Progress Council, Inc. (the Council) under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Council it is not intended to and does not present the financial position, changes in unrestricted net assets, or cash flows of the Council.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule of expenditures of federal awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Indirect Cost Rate

The Council has elected not to use the ten-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Community Progress Council, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee

yes no

Community Progress Council, Inc.

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2019

Section II - Financial Statement Findings

No findings are reported.

Section III - Federal Award Findings and Questioned Costs

No findings are reported.