

Community Progress Council, Inc.

**Financial Statements and
Supplementary Information**

June 30, 2020 and 2019



Community Progress Council, Inc.

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June 30, 2020 and 2019

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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, 2020 and 2019, 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 audit. We conducted our audit 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 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 Community Progress Council, Inc. as of June 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.

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 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 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 January 11, 2021, 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

January 11, 2021
York, Pennsylvania

Community Progress Council, Inc.

Statement of Financial Position

	June 30,	
	2020	2019
Assets		
Current Assets		
Cash	\$ 129,101	\$ 1,022
Accounts receivable	1,358,892	943,637
Promises to give	80,000	50,000
Prepaid expenses	19,952	135,223
Total Current Assets	1,587,945	1,129,882
Property and Equipment, Net	585,723	627,599
Other Assets		
Restricted cash	71,503	53,000
Promises to give	130,000	150,000
Total Other Assets	201,503	203,000
Total Assets	\$ 2,375,171	\$ 1,960,481
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 298,104	\$ 115,908
Refundable advances	66,254	186,365
Accrued payroll and payroll taxes	131,011	76,657
Total Current Liabilities	495,369	378,930
Long-Term Liabilities		
Note payable	225,000	-
Total Liabilities	720,369	378,930
Net Assets		
Without donor restrictions	1,373,299	1,328,551
With donor restrictions	281,503	253,000
Total Net Assets	1,654,802	1,581,551
Total Liabilities and Net Assets	\$ 2,375,171	\$ 1,960,481

Community Progress Council, Inc.

Statement of Activities

	Year Ended June 30, 2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Grant revenue	\$ 11,969,295	\$ -	\$ 11,969,295
In-kind contributions	289,757	-	289,757
Contributions	104,869	75,014	179,883
Other income	72,803	-	72,803
Net assets released from restrictions	46,511	(46,511)	-
	<u>12,483,235</u>	<u>28,503</u>	<u>12,511,738</u>
Total Support and Revenue			
	<u>12,483,235</u>	<u>28,503</u>	<u>12,511,738</u>
Expenses			
Program services	10,998,848	-	10,998,848
Supporting services			
Management and general	1,439,639	-	1,439,639
	<u>12,438,487</u>	<u>-</u>	<u>12,438,487</u>
Total Expenses			
	<u>12,438,487</u>	<u>-</u>	<u>12,438,487</u>
Changes in Net Assets	<u>\$ 44,748</u>	<u>\$ 28,503</u>	<u>\$ 73,251</u>

Community Progress Council, Inc.

Statement of Activities (continued)

	Year Ended June 30, 2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Grant 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
Net assets released from restrictions	-	-	-
Total Support and Revenue	<u>12,007,159</u>	<u>253,000</u>	<u>12,260,159</u>
Expenses			
Program services	10,427,669	-	10,427,669
Supporting services			
Management and general	<u>1,519,198</u>	<u>-</u>	<u>1,519,198</u>
Total Expenses	<u>11,946,867</u>	<u>-</u>	<u>11,946,867</u>
Changes in Net Assets	<u>\$ 60,292</u>	<u>\$ 253,000</u>	<u>\$ 313,292</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, 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	1,328,551	253,000	1,581,551
Changes in net assets	<u>44,748</u>	<u>28,503</u>	<u>73,251</u>
Net Assets at June 30, 2020	<u>\$ 1,373,299</u>	<u>\$ 281,503</u>	<u>\$ 1,654,802</u>

Community Progress Council, Inc.

Statement of Functional Expenses - by Natural Classification

Year Ended June 30, 2020

	Program Services				Total Program Services	Supporting Services	Totals
	Head Start/ Early Head Start	Pre-K Counts	Women, Infants, and Children	Other Programs		Management and General	
Salaries and wages	\$ 3,839,235	\$ 1,410,937	\$ 750,779	\$ 604,999	\$ 6,605,950	\$ 828,701	\$ 7,434,651
Employee benefits and payroll taxes	1,168,896	415,100	192,724	146,978	1,923,698	190,073	2,113,771
Rent	154,182	-	63,183	177,684	395,049	35,966	431,015
Classroom supplies	249,510	130,646	-	8,558	388,714	-	388,714
Supplies	104,028	2,039	71,198	35,587	212,852	68,945	281,797
Food	234,215	2,268	8,156	149	244,788	-	244,788
Repairs and maintenance	138,892	1,124	24,526	39,929	204,471	12,891	217,362
Utilities	106,977	995	18,637	43,855	170,464	7,301	177,765
Enrollment costs	-	-	-	168,369	168,369	-	168,369
Staff development	72,504	29,978	795	31,727	135,004	28,731	163,735
Contracted services	13,011	273	647	30,894	44,825	79,483	124,308
Computer software and support	22,944	18,163	-	960	42,067	67,240	109,307
Transportation	93,122	2,138	2,120	7,214	104,594	3,365	107,959
Depreciation	71,414	-	4,773	35,689	111,876	-	111,876
Insurance	60,943	8,670	5,948	4,436	79,997	4,488	84,485
Specific assistance	-	-	9,604	45,604	55,208	-	55,208
Equipment purchases	3,743	-	5,070	27,972	36,785	9,464	46,249
Professional services	-	-	-	-	-	44,513	44,513
Advertising	6,793	-	-	2,841	9,634	31,076	40,710
Reproduction expense	-	-	6,210	5,982	12,192	7,678	19,870
Real estate taxes	19,277	-	-	-	19,277	224	19,501
Dues and memberships	5,725	160	-	390	6,275	12,139	18,414
Postage	6,995	88	-	1,964	9,047	1,572	10,619
Internet	6,473	-	-	1,492	7,965	525	8,490
Interest	-	-	-	3,197	3,197	897	4,094
Bank fees	-	-	-	268	268	3,559	3,827
Miscellaneous	-	-	-	2,565	2,565	808	3,373
Parent activity	2,724	-	-	-	2,724	-	2,724
Field trips	993	-	-	-	993	-	993
	<u>\$ 6,382,596</u>	<u>\$ 2,022,579</u>	<u>\$ 1,164,370</u>	<u>\$ 1,429,303</u>	<u>\$ 10,998,848</u>	<u>\$ 1,439,639</u>	<u>\$ 12,438,487</u>

See accompanying notes.

Community Progress Council, Inc.

Statement of Functional Expenses - by Natural Classification (continued)

Year Ended June 30, 2019

	Program Services					Supporting	Totals
	Head Start/ Early Head Start	Pre-K Counts	Women, Infants, and Children	Other Programs	Total Program Services	Services Management and General	
Salaries and wages	\$ 3,683,572	\$ 1,356,186	\$ 748,244	\$ 544,680	\$ 6,332,682	\$ 807,221	\$ 7,139,903
Employee benefits and payroll taxes	1,133,462	374,411	203,797	149,690	1,861,360	179,155	2,040,515
Rent	153,902	-	63,331	154,039	371,272	36,788	408,060
Classroom supplies	127,651	11,784	-	21,034	160,469	-	160,469
Supplies	79,791	717	35,012	96,692	212,212	27,435	239,647
Food	246,291	-	8,314	-	254,605	-	254,605
Repairs and maintenance	90,791	885	18,792	19,621	130,089	31,424	161,513
Utilities	118,406	1,034	21,170	50,014	190,624	6,157	196,781
Enrollment costs	-	-	-	147,693	147,693	-	147,693
Staff development	119,332	32,295	1,932	18,966	172,525	46,762	219,287
Contracted services	13,877	-	1,927	5,255	21,059	195,759	216,818
Computer software and support	72,273	1,309	-	1,571	75,153	40,437	115,590
Transportation	103,533	2,110	400	8,509	114,552	3,499	118,051
Depreciation	75,305	-	5,033	37,634	117,972	-	117,972
Insurance	54,347	7,415	4,441	4,630	70,833	3,582	74,415
Specific assistance	-	-	25,640	59,166	84,806	-	84,806
Equipment purchases	4,280	-	12,509	589	17,378	24,790	42,168
Professional services	-	-	-	-	-	42,578	42,578
Advertising	7,786	32	-	-	7,818	48,847	56,665
Reproduction expense	-	-	3,850	6,683	10,533	4,228	14,761
Real estate taxes	19,244	-	-	-	19,244	-	19,244
Dues and memberships	3,094	2,728	-	440	6,262	12,597	18,859
Postage	4,468	286	-	878	5,632	1,272	6,904
Internet	6,564	-	-	1,592	8,156	525	8,681
Interest	-	-	-	-	-	1,967	1,967
Bank fees	-	-	-	38	38	3,658	3,696
Miscellaneous	-	-	-	20,746	20,746	517	21,263
Parent activity	13,066	-	-	-	13,066	-	13,066
Field trips	836	-	54	-	890	-	890
	<u>\$ 6,131,871</u>	<u>\$ 1,791,192</u>	<u>\$ 1,154,446</u>	<u>\$ 1,350,160</u>	<u>\$ 10,427,669</u>	<u>\$ 1,519,198</u>	<u>\$ 11,946,867</u>

See accompanying notes.

Community Progress Council, Inc.

Statement of Cash Flows

	Years Ended June 30,	
	2020	2019
Cash Flows from Operating Activities		
Changes in net assets	\$ 73,251	\$ 313,292
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	111,876	117,972
In-kind contributions - contributed property and equipment	(70,000)	-
(Increase) decrease in assets		
Accounts receivable	(415,255)	149,871
Promises to give	(10,000)	(200,000)
Prepaid expenses	115,271	(8,173)
Increase (decrease) in liabilities		
Accounts payable	182,196	(64,028)
Refundable advances	(120,111)	(10,950)
Payroll taxes withheld and accrued	54,354	(12,025)
	<u>54,354</u>	<u>(12,025)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(78,418)</u>	<u>285,959</u>
Cash Flows from Investing Activities		
Capital expenditures	-	(179,942)
	<u>-</u>	<u>(179,942)</u>
Net Cash Used in Investing Activities	<u>-</u>	<u>(179,942)</u>
Cash Flows from Financing Activities		
Net change in lines of credit	-	(52,331)
Cash proceeds from notes payable	1,500,000	-
Principal payments on notes payable	(1,275,000)	-
	<u>1,500,000</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>225,000</u>	<u>(52,331)</u>
Net Increase in Cash	146,582	53,686
Cash at Beginning of Year	<u>54,022</u>	<u>336</u>
Cash at End of Year	<u>\$ 200,604</u>	<u>\$ 54,022</u>
Cash is Comprised of the Following on the Statement of Financial Position		
Cash	\$ 129,101	\$ 1,022
Restricted cash	71,503	53,000
	<u>\$ 200,604</u>	<u>\$ 54,022</u>
Supplementary Cash Flows Information		
Interest paid	<u>\$ 4,094</u>	<u>\$ 1,967</u>

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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 and private donations. The Council's primary source of support and revenue is grant 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 (U.S. GAAP) 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.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions.

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 of the impaired asset. 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, 2020 and 2019.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions

The Council recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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

Grants

Grant revenue deemed to be a contribution is classified as 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.

The Council also receives grant revenue, which is deemed to be in respect of exchange transactions and is classified as revenue without donor restrictions or deferred revenue, 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.

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, 2020 and 2019, 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, 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. The Council implemented this standard during the year ended June 30, 2020. The Council has determined that the adoption of ASU 2014-09 did not result in an adjustment to net assets as of June 30, 2019 and did not have a material effect on the 2020 financial statements.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a Consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Council implemented this standard during the year ended June 30, 2020. The ASU has been applied retrospectively to all periods presented, which had no effect on net asset restrictions.

In June 2018, 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 the annual period beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities. During the year ended June 30, 2020, the Council implemented the provisions of ASU 2018-08 applicable to both contributions received and contributions made under a modified perspective basis. Accordingly, there is no effect on net assets in connection with the Council's implementation of this standard.

Recent Accounting Pronouncements

In February 2016, 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, 2021.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

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, 2017.

Note 4 - Concentration of Credit Risk

At times during the years ended June 30, 2020 and 2019, 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 each of the years ended June 30, 2020 and 2019, 68% of total revenue recognized by the Council is attributed to federal monetary sources.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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>2020</u>	<u>2019</u>
Financial Assets		
Cash	\$ 129,101	\$ 1,022
Accounts receivable	1,358,892	943,637
Promises to give - current	80,000	50,000
Restricted cash	<u>71,503</u>	<u>53,000</u>
Total Financial Assets	<u>1,639,496</u>	<u>1,047,659</u>
Less Amounts that are Internally Designated or Externally Restricted		
Donor-imposed restrictions		
Self-sufficiency initiatives	(86,523)	(50,000)
Capacity building - fundraising	(45,014)	-
Building maintenance	(19,966)	(25,000)
Diversity initiatives	-	(16,000)
Wrap Around Child Care program	<u>-</u>	<u>(12,000)</u>
Total Amounts Not Available to be Used within One Year	<u>(151,503)</u>	<u>(103,000)</u>
Financial Assets Available to be Used within One Year	<u>\$ 1,487,993</u>	<u>\$ 944,659</u>

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).

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. No new promises to give - self-sufficiency were received during the year ended June 30, 2020.

Promises to give - capacity building - fundraising represents funds raised to build fundraising infrastructure and develop staffing needed to establish a sustainable fundraising capacity. Management considered discounting the promises to give that were acquired during the year ended June 30, 2020, and are expected to be collected in more than one year, and determined the appropriate discount to be insignificant.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 6 - Promises to Give (continued)

Promises to give consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Promises to give - self-sufficiency	\$ 150,000	\$ 200,000
Promises to give - capacity building - fundraising	<u>60,000</u>	<u>-</u>
	<u>\$ 210,000</u>	<u>\$ 200,000</u>

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

2021	\$ 80,000
2022	80,000
2023	<u>50,000</u>
	<u>\$ 210,000</u>

Note 7 - Property and Equipment

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

	<u>Useful Lives</u>	<u>2020</u>	<u>2019</u>
Equipment	10 years	\$ 1,689,591	\$ 1,713,390
Buildings and improvements	10 - 40 years	299,521	299,521
Land *		<u>6,309</u>	<u>6,309</u>
		1,995,421	2,019,220
Accumulated depreciation		<u>(1,409,698)</u>	<u>(1,391,621)</u>
		<u>\$ 585,723</u>	<u>\$ 627,599</u>

* Not depreciated

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 3.25% and 5.50% as of June 30, 2020 and 2019, respectively. There were no borrowings against the line of credit as of June 30, 2020 or 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 3.25% and 5.50% as of June 30, 2020 and 2019, respectively. There were no borrowings against the line of credit as of June 30, 2020 or 2019.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 9 - Refundable Advances

Refundable advances consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Pennsylvania Housing Finance Agency - Housing Counseling and Education program	\$ 45,172	\$ -
Pennsylvania Department of Education - Head Start program	12,697	61,874
Pennsylvania Department of Education - Pre-K Counts program	8,385	24,954
Pennsylvania Department of Education - Child and Adult Care Food program	-	76,388
Other deposits or advances	-	23,149
	<u>\$ 66,254</u>	<u>\$ 186,365</u>

Note 10 - Note Payable

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis (refer to Note 16). The Council applied for a loan under this Program and received from York Traditions Bank a loan in the amount of \$1,500,000 on April 13, 2020. The Council repaid \$1,275,000 of this loan on June 30, 2020. As of June 30, 2020, the outstanding balance on the loan amounted to \$225,000. The outstanding portion of loan is forgivable if the Council meets certain criteria as established under the Program. The Council anticipates there may be further guidance issued by the Small Business Administration (SBA), the U.S. Department of Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. The Council will seek loan forgiveness in fiscal year 2021. The loan is unsecured and does not require personal guarantees.

The loan bears interest at a fixed rate of 1.00%. Based on the original terms of the loan agreement, the loan was to accrue interest for the first six months following the date of the loan and thereafter would convert to monthly payments of principal and interest. Monthly principal and interest payments of \$12,636 were to be due beginning November 12, 2020; however, the Paycheck Protection Program Flexibility Act of 2020 extended the deferral period for borrower payments of principal, interest, and fees on the loan to the date that the SBA remits the loan forgiveness amount, or if loan forgiveness is not requested, ten months after the end of the loan forgiveness covered period, which generally begins on the date the loan proceeds were received. The Council has elected to use a 24-week loan forgiveness covered period. If any portion of the loan is forgiven in connection with the CARES Act and the terms of the Program, the monthly payments of principal and interest shall thereafter be recalculated by the lender to fully amortize any outstanding amounts remaining after forgiveness over the remaining term of the loan. The loan matures on April 12, 2022, at which time all remaining principal and interest is due.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 11 - Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specified purpose		
Self-Sufficiency	\$ 36,523	\$ -
Building maintenance	19,966	25,000
Capacity building - fundraising	15,014	
Wrap Around Child Care program	-	12,000
Diversity initiatives	-	16,000
Subject to the passage of time		
Promises to give	<u>210,000</u>	<u>200,000</u>
	<u>\$ 281,503</u>	<u>\$ 253,000</u>

Note 12 - In-kind Contributions

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

	<u>2020</u>	<u>2019</u>
Rent	\$ 203,750	\$ 177,466
Property and equipment	70,000	-
Supplies	<u>16,007</u>	<u>45,711</u>
	<u>\$ 289,757</u>	<u>\$ 223,177</u>

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

	<u>2020</u>	<u>2019</u>
Head Start program	\$ 279,052	\$ 198,104
Foster Grandparent's program	<u>10,705</u>	<u>25,073</u>
	<u>\$ 289,757</u>	<u>\$ 223,177</u>

Note 13 - 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.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 14 - 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, 2020 and 2019 amounted to \$164,767 and \$167,294, respectively.

Note 15 - 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 12). The leases renew annually, unless otherwise provided.

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 four years ending June 30:

2021	\$	127,403
2022		128,093
2023		115,933
2024		33,519
		<hr/>
	\$	404,948
		<hr/> <hr/>

Note 16 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, public support, and the geographical area in which the Council operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Council.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Note 17 - Reclassifications

Certain information in the 2019 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2020 financial statements.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 18 - Subsequent Events

Management of the Council has evaluated subsequent events through January 11, 2021. This date is the date the financial statements were available to be issued. No material events subsequent to June 30, 2020 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, 2020, 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 January 11, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 financial statements. 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.

RKH LLP

January 11, 2021
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, 2020. 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, 2020.

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, 2020, and have issued our report thereon dated January 11, 2021 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.

RKH LLP

January 11, 2021
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, 2020			Accrued (Deferred) Revenue as of June 30, 2020
			Accrued (Deferred) Revenue as of July 1, 2019	Federal Funds Received	Expenditures	
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	\$ 226,898	\$ 1,103,624	\$ 1,257,312	\$ 380,586
WIC Grants to States (WGS)	10.578	4100077910	-	2,120	2,120	-
Pennsylvania Department of Agriculture						
WIC Farmers' Market Nutrition Program (FMNP)	10.572	4100078128	-	8,156	8,156	-
Pennsylvania Department of Education						
Child and Adult Care Food Program	10.558	300671380	(76,388)	276,060	360,635	8,187
Total U.S. Department of Agriculture			150,510	1,389,960	1,628,223	388,773
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	-	20,388	20,388	-
Housing Counseling Assistance Program	14.169	HC-19-03-41008	26,635	63,800	104,234	67,069
Total U.S. Department of Housing and Urban Development			26,635	84,188	124,622	67,069

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, 2020			
			Accrued (Deferred) Revenue as of July 1, 2019	Federal Funds Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2020
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	4100083360	\$ 124,875	\$ 268,551	\$ 293,215	\$ 149,539
Total Temporary Assistance for Needy Families (TANF) Cluster			<u>124,875</u>	<u>268,551</u>	<u>293,215</u>	<u>149,539</u>
Other Programs						
Pass Through Programs from Pennsylvania Department of Community and Economic Development Community Services Block Grant	93.569	C000067070	193,604	778,342	865,933	281,195
Head Start	93.600	03CH01064301	15,108	18,578	3,470	-
Head Start	93.600	03CH01064302	90,852	3,733,107	3,729,929	87,674
Head Start	93.600	03CH01064303	-	119,248	153,772	34,524
Early Head Start	93.600	03CH344105	6,318	10,673	4,355	-
Early Head Start	93.600	03CH01093401	69,586	1,346,308	1,307,518	30,796
Early Head Start	93.600	03CH01093402	-	68,452	90,675	22,223
Total Other Programs			<u>375,468</u>	<u>6,074,708</u>	<u>6,155,652</u>	<u>456,412</u>
Total U.S. Department of Health and Human Services			<u>500,343</u>	<u>6,343,259</u>	<u>6,448,867</u>	<u>605,951</u>
Corporation for National and Community Services						
Foster Grandparent/Senior Companion Cluster						
Foster Grandparent Program	94.011	16SFAPA004	27,789	239,055	245,471	34,205
Total Foster Grandparent/Senior Companion Cluster			<u>27,789</u>	<u>239,055</u>	<u>245,471</u>	<u>34,205</u>
Total Corporation for National and Community Services			<u>27,789</u>	<u>239,055</u>	<u>245,471</u>	<u>34,205</u>
Total Expenditures of Federal Awards			<u>\$ 705,277</u>	<u>\$ 8,056,462</u>	<u>\$ 8,447,183</u>	<u>\$ 1,095,998</u>

Community Progress Council, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

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, 2020. 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, 2020

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, 2020

Section II - Financial Statement Findings

No findings are reported.

Section III - Federal Award Findings and Questioned Costs

No findings are reported.