

**POCONO SERVICES FOR
FAMILIES AND CHILDREN,
INCORPORATED**

MONROE COUNTY, PENNSYLVANIA

**FINANCIAL STATEMENTS
AND AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED
AUGUST 31, 2018



POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED

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TODD J. BUSHTA, CPA

C E R T I F I E D P U B L I C A C C O U N T A N T

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED

We have audited the accompanying statement of financial position of Pocono Services for Families and Children, Incorporated as of August 31, 2018 and the related statements of activities, functional expenses, and cash flows for the years then ended. The Organization's 2017 prior year financial statements were audited by another auditor who's report dated May 4, 2018, issued unmodified opinion thereon. These financial statements are the responsibility of Pocono Services for Families and Children, Incorporated's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Pocono Services for Families and Children, Incorporated as of August 31, 2018 and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2019, on our consideration of Pocono Services for Families and Children, Incorporated's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

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LEHIGH VALLEY AND POCONO MOUNTAINS

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Pocono Services for Families and Children, Incorporated taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bushta & Company

BETHLEHEM, PENNSYLVANIA
JANUARY 9, 2019



TODD J. BUSHTA, CPA

C E R T I F I E D P U B L I C A C C O U N T A N T

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

BOARD OF DIRECTORS

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED

We have audited the financial statements of the Pocono Services For Families and Children, Incorporated, as of and for the year ended August 31, 2018, and have issued our report thereon dated January 9, 2019. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Pocono Services For Families and Children, Incorporated's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pocono Services For Families and Children, Incorporated's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pocono Services For Families and Children, Incorporated's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects Pocono Services For Families and Children, Incorporated's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Pocono Services For Families and Children, Incorporated's financial statements that is more than inconsequential will not be prevented or detected by the Pocono Services For Families and Children, Incorporated's internal control.

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A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Pocono Services For Families and Children, Incorporated's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be control deficiencies, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Pocono Services For Families and Children, Incorporated's financial statements are free of 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 Standard*.

AUDITOR REPORTING AND OTHER COMMUNICATION CONSIDERATIONS

Pocono Services For Families and Children, Incorporated 's response to any findings identified in our audit may be described in an accompanying schedule of findings and responses. As no findings were indicated, no response is necessary and has not been provided. We did not audit Pocono Services For Families and Children's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bushta & Company

BETHLEHEM, PENNSYLVANIA
JANUARY 9, 2019

FINANCIAL STATEMENTS

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED

STATEMENT OF FINANCIAL POSITION

AS OF AUGUST 31, 2018

(With summarized financial information for 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	
<i>Current Assets</i>				
Cash	\$ 84,629	\$	\$ 84,629	\$ 188,342
Grants receivable	128,916		128,916	356,368
Service fees receivable	85,709		85,709	40,209
Prepaid expenses	13,724		13,724	33,465
Promise to give		277,965	277,965	130,000
<i>Total current assets</i>	<u>312,978</u>	<u>277,965</u>	<u>590,943</u>	<u>748,384</u>
<i>Property and Equipment</i>				
Land and Land improvements	202,541		202,541	173,381
Buildings and Building improvements	5,215,871		5,215,871	4,691,670
Program equipment	88,398		88,398	88,398
Facility equipment	148,559		148,559	148,559
Transportation equipment	50,334		50,334	50,334
	5,705,703	0	5,705,703	5,152,342
Less: Accumulated depreciation	(972,190)	0	(972,190)	(805,134)
<i>Total property and equipment</i>	<u>4,733,513</u>	<u>0</u>	<u>4,733,513</u>	<u>4,347,208</u>
<i>Total Assets</i>	<u>\$ 5,046,491</u>	<u>\$ 277,965</u>	<u>\$ 5,324,456</u>	<u>\$ 5,095,592</u>
<i>Liabilities</i>				
Accounts payable	\$ 73,617	\$	\$ 73,617	\$ 103,861
Accrued payroll	100,425		100,425	86,231
Notes payable	58,349		58,349	114,518
Deferred revenue			0	172,225
Line of Credit			0	199,998
Mortgage payable - current portion	117,659		117,659	116,465
Mortgage payable - long term	3,107,319		3,107,319	3,222,495
<i>Total Liabilities</i>	<u>3,457,369</u>	<u>0</u>	<u>3,457,369</u>	<u>4,015,793</u>
<i>Net Assets</i>				
Undesignated	138,936		138,936	(911,518)
Investment in property and equipment	1,450,186		1,450,186	1,008,248
Total Unrestricted	1,589,122	0	1,589,122	96,730
Restricted contributions		277,965	277,965	983,069
<i>Total Net Assets</i>	<u>1,589,122</u>	<u>277,965</u>	<u>1,867,087</u>	<u>1,079,799</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 5,046,491</u>	<u>\$ 277,965</u>	<u>\$ 5,324,456</u>	<u>\$ 5,095,592</u>

The accompanying notes are an integral part of the financial statements.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2018

(With summarized financial information for 2017)

	2018			
	Unrestricted	Temporarily Restricted	Total	2017
GRANT REVENUE				
Governmental grants and contracts	\$ 3,552,979	\$	\$ 3,552,979	3,382,222
PROGRAM SUPPORT				
Support	120,392		120,392	165,437
Contributions	237,454	813,136	1,050,590	424,429
In-kind Contributions	2,525		2,525	35,615
SPECIAL EVENTS				
Special events, net of direct special events expenses of \$18,017	16,405		16,405	7,265
OTHER REVENUES AND GAINS				
Child care fees	681,817		681,817	520,189
Rent	154,521		154,521	97,052
Other income			0	2,057
NET ASSETS RELEASED FROM RESTRICTION				
Due to expiration of time restrictions or completion of specified purpose	602,171	(602,171)	0	0
Total revenue, support and other gains	<u>5,368,264</u>	<u>210,965</u>	<u>5,579,229</u>	<u>4,634,266</u>
EXPENSES				
Program Services	4,392,821		4,392,821	4,606,140
General and Administrative	399,120		399,120	305,629
Total expenses	<u>4,791,941</u>	<u>0</u>	<u>4,791,941</u>	<u>4,911,769</u>
Change in net assets	576,323	210,965	787,288	(277,503)
NET ASSETS AT SEPTEMBER 1	<u>1,012,799</u>	<u>67,000</u>	<u>1,079,799</u>	<u>1,357,302</u>
NET ASSETS AT AUGUST 31	<u>\$ 1,589,122</u>	<u>\$ 277,965</u>	<u>\$ 1,867,087</u>	<u>\$ 1,079,799</u>

The accompanying notes are an integral part of the financial statements.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED

STATEMENT OF CASH FLOWS

AS OF AUGUST 31, 2018

	2018
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Cash received from governmental contracts	\$ 3,952,656
Cash received from program support	334,080
Cash received from program service fees	790,838
Cash paid for employees	(3,543,470)
Cash paid for occupancy and maintenance	(235,840)
Cash paid to vendors and purchased services	(618,660)
Interest paid	(137,772)
<i>Net cash provided (used) by operating activities</i>	<u>541,832</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Restricted for long term purposes	277,965
Purchase capital assets	(553,361)
<i>Net cash provided (used) by investing activities</i>	<u>(275,396)</u>
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>	
Repayment of short term notes	(256,167)
Repayment of mortgage note	(113,982)
<i>Net cash provided (used) by financing activities</i>	<u>(370,149)</u>
 NET INCREASE IN CASH	 (103,713)
CASH AT THE BEGINNING OF THE YEAR	<u>188,342</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 84,629</u></u>
 <i>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</i>	
 <i>Change in net assets</i>	 \$ 787,288
Depreciation	167,056
Increase in accounts receivable	126,171
(Decrease)/increase in deferred revenue	(172,225)
Repayment of short term notes	(256,167)
Repayment of mortgage note	(113,982)
(Decrease)/increase in accounts payable	(16,050)
Decrease (increase) in prepaid expenses	<u>19,741</u>
 CASH FLOWS FROM OPERATING ACTIVITIES	 <u><u>\$ 541,832</u></u>
 <i>ADDITIONAL DISCLOSURES</i>	
Non-Monetary contributions received	\$ 2,525
Non-Monetary contributions paid	\$ 102,668

The accompanying notes are an integral part of the financial statements.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED**STATEMENT OF FUNCTIONAL EXPENSES****FOR THE YEAR ENDED AUGUST 31, 2018***(With summarized financial information for 2017)*

	2018			
	Program Services	General and Administrative	Total	2017
Personnel	\$ 2,828,591	\$ 209,855	\$ 3,038,446	\$ 2,764,388
Fringe benefits	430,951	88,267	519,218	613,692
Occupancy	148,190	34,395	182,585	315,762
Health and nutrition	257,000		257,000	280,068
Supplies	98,686	14,078	112,764	244,678
Insurance	102,891	17,031	119,922	71,632
Scholarships	1,600		1,600	41,613
Service and maintenance	51,273	1,982	53,255	43,629
Training and accreditation	31,757		31,757	30,853
Transportation	16,274		16,274	16,229
Parent services	17,875		17,875	6,473
Professional and consulting		4,000	4,000	17,483
Other	20,218	7,006	27,224	54,799
Interest	128,128	9,644	137,772	146,829
Depreciation	154,194	12,862	167,056	155,172
In-kind contributions - GAAP	105,193		105,193	108,469
Total	<u>\$ 4,392,821</u>	<u>\$ 399,120</u>	<u>\$ 4,791,941</u>	<u>\$ 4,911,769</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

POCONO SERVICES FOR FAMILIES AND CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Incorporated on December 8, 1965, Pocono Services for Families and Children, Incorporated (the Organization) provides high quality nationally and state-accredited Birth-6rd Grade school readiness classrooms and comprehensive family support services for over 300 children and their low-income working families at 4 classroom locations throughout Monroe County, including The Mountain Center in Tobyhanna, which opened for families September 2016. The mission of the agency is to be recognized as Monroe County's foremost educator and provider of child-focused services. The day-to-day Mission of PSFC is to provide resources to meet the evolving needs of community families in efforts to assist them in achieving their identified goals.

Nature of Activities

Ensuring a high-quality **Preschool Readiness Educational Program** is a priority of the agency. Every classroom is accredited by the National Association for the Education of Young Children (NAEYC) representing the highest quality of educational performance. This quality is also recognized by the State with the designation of a PA STAR4 rating ... the highest level of recognition. PSFC is the only agency in Monroe County that maintains this level of credentialing at multiple sites across our community.

The Federal and State funded **Head Start** program has been administered in Monroe County by PSFC since 1965. State **Pre-K Counts** classrooms are also available. These programs provide an extensive and comprehensive array of family support services and pre-school readiness programming for our community's most vulnerable children and families, in efforts to ensure the accomplishment of family goals and school success.

Healthy Start Screenings are an integral part of the Head Start classroom with every child receiving physical, vision, dental, hearing, speech, and developmental screenings to ensure a healthy start on their educational journey.

Full Day Child Care Classrooms for Birth – 5-year-old children provide a safe, secure, high quality nurturing learning environment for children of working parents. These classrooms are available to the general public at both East Stroudsburg and Mountain Centers on a non-discriminatory basis as subsidized care and self-pay.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Activities (continued)

Before and After-school Care for Kindergarten-6rd grade students is available at The Mountain Center for students in the PMSD. This school-aged program providing support for working families, has gained a PA STAR4 Designation of quality of care and education. It is an open program for community parents who utilize subsidized care or self-pay options.

The PSFC **Child Well- Being System** has greatly enhanced the social/emotional quality of our classrooms. This system was developed over the past several years in response to the increasing enrollment of children with challenging behaviors and families in crisis. With the expertise and guidance of highly trained behavioral health personnel, an enhancement of curriculum to include a stronger social/emotional component, greater emphasis on teacher training in this field, and higher level of family involvement, PSFC classrooms have become model environments for demonstrating this successful approach to ensure school readiness for all children and their families.

The Local Education and Resource Network (LEARN) coordination is the State-appointed responsibility of PSFC. This work involves coordinating efforts with all childcare providers in our community to work toward raising the quality of early childhood education and care for every child in Monroe County. This has provided PSFC with the opportunity to share our expertise with all childcare providers in our community and partner with them to raise awareness of the importance of high-quality education and care.

The PSFC **Youth Mentoring Program** provides the opportunity for high school students interested in a career in early childhood education to spend time in classrooms receiving hands-on guidance and support from ECE degreed teachers.

The PSFC Family Engagement Framework is continuing to expand to provide additional resources and training opportunities in support of families reaching their goals.

The **Health Literacy Program** provides first-response training for parents which offers an easy-to-follow guide, complete first-aid kit and training in the use of all tools. This training empowers parents to take control of their families' healthcare needs, and greatly reduces the need for ER or DR visits which leads to fewer missed school and work days. Current funding for this work is provided through the Pocono Health Foundation Jordan Endowment Fund. **Certified CPR Training** has been added to the health training options.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS *(continued)*

AUGUST 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Activities (continued)

The PSFC **Job Club** began working with families through peer support efforts, specific employment / job training, education, and referrals to secure employment opportunities. This work will be expanded to include **Money Club /Financial Independence** resources and skills to further provide family employment and financial stability.

PSFC also provides **PPL Powersavers** workshops to provide training on home energy savings and free kits of energy saving products for home use.

The PSFC **Emergency Assistance Program** provides vital food and fuel assistance to families in crisis. The purpose of this program is to offer some stability to families who are facing difficult financial choices due to unexpected loss or cost. The assistance PSFC offers can mean the ability to purchase medicine, food, fuel for the work vehicle or heating fuel or electricity for the home. This provides the support a family needs to regain stability, which otherwise may be lost resulting in tragic consequences.

The “**Adopt a Family**” program ensures many of our most vulnerable families are provided a complete family holiday celebration of food and gifts for Thanksgiving and Christmas. The employees of Sanofi Pasteur and Weiler Corporation, along with other businesses, area congregations, and individuals provide all the essentials and extras for these celebrations for over 60 families each year.

PSFC is a state approved **Pre-Kindergarten Scholarship Program** which allows participation in the state educational improvement tax credit (EITC) program. Corporations in PA are eligible to apply for these tax credits and pass them to approved programs. PSFC is fortunate to be the recipient of these funds which provide scholarships for preschool aged children of low-income working families to attend the PSFC high quality classrooms in preparation for success in Kindergarten. ESSA Bank and Trust, First Keystone Bank, First National Bank, People’s Security Bank, PNC, Strunk-Albert Engineering, Superheat Contractors, WEIS Markets, and PP&L have all participated over the years with their corporate contributions. Community partners and PSFC staff, through payroll deductions, also contribute to the Scholarship Fund.

The Mountain Center located in Tobyhanna, PA, serves as an educational and community service center located in the most under-served area of our community. We have expand the number of Head Start classrooms in this community, and we began the year with 10 licensed classrooms filled with children aged birth-3rd grade.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS *(continued)*

AUGUST 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Activities (continued)

Over the course of the year, we added several non-profit agencies invited specifically for their service expertise in areas which would best meet community needs. The agencies included a food pantry, Habitat for Humanity, AARP Senior Adult Employment services, WIC, Women's Resources, Street to Feet Homeless Initiative, Read Across Monroe free library/book give-away, Area on Aging Senior Adult Activity Center, local State Representative office, and several Narcotics Anonymous groups and a gymnasium full of youth sports organizations.

Public transportation has never been available to this part of our community but will not only make access to TMC easier for those seeking assistance, but will make all the services down Rt 611, off the mountain, more accessible. The Organization provides a Park and Ride area at TMC for neighbors to catch the bus for direct access to grocery stores, college campus, banks, jobs and entertainment. We are glad to report that in January 2018, MCTA began running an hourly route (The Blue Route) through the TMC which makes connections down Rt611 to St Luke's Hospital in Bartonsville.

Services and Opportunities to come:

Rural Health Clinic would be one of the last invited agencies to participate in the facility space still available for occupancy. This Clinic would house the primary health care provider / medical home for low-income neighbors living around TMC.

Family Health and Education Trail will be a project in collaboration with the local Pocono Mountain Public Library, located a few hundred yards through the woods from TMC. The trail will be constructed to connect TMC with the Library for planned library visits and activities for children and families making the walk through the woods. Along this trail will also be sectioned 18 specific work-out activities for families and individuals getting some gross motor exercise.

Basis of Accounting

The accompanying financial statements of Pocono Services for Families and Children, Incorporated have been prepared on the accrual basis of accounting.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Activities (continued)

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization does not currently have net assets that are permanently restricted.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2009 from which the summarized information was derived.

Emergent accounting standards

In June Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities The standard will take effect for annual financial statements issued for fiscal years beginning after Dec. 15, 2017, and for interim periods within fiscal years beginning after Dec. 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application, and early application of the standard is permitted. The Organization will be implementing the standard as required in subsequent years.

Concentrations of Credit Risk

The Organization maintains cash balances at a single financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Organization's account balance may exceed the federally insured limit. The institution has collateralized any excess over insured amounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the organization considers all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS *(continued)*

AUGUST 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The Organization owns its East Stroudsburg facility and there is no outstanding debt associated with its purchase.

The Organization provides for the estimated useful lives of the assets as follows:

Transportation equipment.....	5-10 years
Classroom and office equipment	3-10 years
Buildings and improvements	20-40 years

Subsequent events

Subsequent events have been evaluated through the date of managements review of the financial statements on January 9, 2019.

Income Taxes

Pocono Services for Families and Children, Incorporated has been recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is required. The Organization's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS. Tax returns are generally subject to examination by the IRS for three years after they are filed.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses including salaries and employee benefits that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to most functions are allocated by the use of an allocation of occupancy square footage. There were no fund-raising costs. As such, no expenses have been allocated to that function.

Sources of Revenue

The Organization's operating revenue is derived from governmental contracts with federal, state and local sources, as well as fees for preschool and childcare services for children from families eligible for assistance in the federal and state programs administered by the Organization.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS *(continued)*

AUGUST 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sources of Revenue

The Organization's operating revenue is derived from governmental contracts with federal, state and local sources, as well as fees for preschool and childcare services for children from families eligible for assistance in the federal and state programs administered by the Organization.

Contributions

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 temporarily restricted or permanently restricted support that increases those net asset classes.

Concentration of revenue

The Organization has been awarded grants from U.S. Department of Health and Human Services and Department of Agriculture, Pennsylvania Department of Public Welfare, Pennsylvania Department of Education, and other organizations to subsidize the cost of salaries, education, supplies, new programs, and equipment.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 OPERATING LEASES

The Organization accepts lease terms at below market rent and recognizes contributions to the nonprofit tenant organizations for the difference in amount of rent to market rent. The aggregate contributions for 2018 was \$102,668 to these nonprofit tenant organizations.

NOTE 3 IN-KIND CONTRIBUTIONS

The in-kind contributions reported in the supplementary information has been used to meet the Organization's matching requirements as required by *U.S. Department of Health and Human Services* Head Start Program. A number of parents and community members volunteer their time to the Organization. No amounts have been included in the financial statements for these services since the recognition criteria under generally accepted accounting principles was not met.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INC.**NOTES TO FINANCIAL STATEMENTS** *(continued)*

AUGUST 31, 2018

NOTE 4 PROPERTY AND EQUIPMENT

	Assets			
	Beginning	Additions	Deductions	Ending
Land and Improvements	\$ 173,381	\$ 29,166	\$	\$ 202,541
Building and Improvements	4,691,670	524,201		5,215,871
Program Equipment	88,398			88,398
Facility Equipment	148,559			148,559
Transportation Equipment	50,334			50,334
	<u>\$5,152,342.00</u>	<u>\$ 553,367</u>	<u>\$ 0</u>	<u>\$5,705,703.00</u>
	Accumulated Depreciation			
	Beginning	Additions	Deductions	Ending
Building and Improvements	\$ 686,289	\$ 150,082	\$	\$836,371.00
Program Equipment	41,613	5,511		47,124
Facility Equipment	26,898	11,463		38,361
Transportation Equipment	50,334	0		50,334
	<u>\$ 805,134</u>	<u>\$167,056.00</u>	<u>\$ 0</u>	<u>\$972,190.00</u>

In the supplementary information, the purchase of fixed assets are reported as an expenditure, depreciation not related to the building and improvements, In accordance with the regulatory basis of accounting, rather than an addition to the asset as in the statement of financial position, in conformity with generally accepted accounting principles. For federal reimbursement purposes, under the Head Start Program, reimbursement for depreciation is not an allowable cost.

NOTE 5 RETIREMENT PLAN

The Organization offers a retirement plan covering all employees who are at least 21 years old and have completed 6 months of service. The Organization is not required to contribute to the plan and may contribute up to 5% of eligible compensation to the plan every year at the discretion of management. The Organization did not made contributions for the year ended August 31, 2018.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS *(continued)*

AUGUST 31, 2018

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Organization receives revenue from the U.S. Department of Health and Human Services as its primary program of operations. The Organization's agreement with DHHS includes provisions for the dissolution of the agreement and cost settlement of certain expenditures specifically funded by DHHS's *Head Start Program*. The Organization receives a substantial amount of revenue in the form of government services contracts from federal, state and local jurisdictions. A significant reduction in the level of funding may have an effect on the Organization's programs and activities.

NOTE 7 TERM DEBT

Mortgage payable, due in monthly installments of interest only, 4.35% for 12 months, then monthly installments of \$21,038.62 for 48 months, at a rate of 4.35% for the next four years, then on each third anniversary based on fixed rate equal to 325 basis points in excess of the rate paid on 3 year US treasury notes. Matures July 2037. Secured by real estate, debt reserve, and all business assets.

Construction loan payable, first advance towards \$65,000, due in 6 monthly installments of interest only, at a variable rate of 4.50%. Thereafter, monthly installments of \$905.52 of principal and interest for 54 months at 4.5% . Matures October 28, 2024. Secured by assets, excluding real property.

Combined Long Term Maturities:

	<u>MINIMUM FUTURE PAYMENTS</u>
2019	\$ 117,659
2020	128,439
2021	134,154
2022	140,121
2023	146,355
THEREAFTER	<u>2,558,250</u>
	<u>\$ 3,224,978</u>

The organization purchased the Mountain Center in June of 2016. A mortgage was secured at Peoples Security Bank and is a U.S. Department of Agriculture Business and Industry (B&I) Guaranteed Loan. 70% of the loan is guaranteed and subject to a renewal fee of .50 percent of the guaranteed portion of the outstanding principal as of December 31st of each year, and subject to other terms and conditions of the agreement, including covenants of a debt to net worth ratio not to exceed 3:1; current ratio of not less than 1:1; and debt coverage ratio of not less than 1.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS *(continued)*

AUGUST 31, 2018

NOTE 7 Term Debt (Continued)

In July of 2017, the organization secured a 90-day term \$250,000 note payable with Peoples Security Bank, the interest rate was 5.25%. The note was paid in full during the fiscal year. The balance outstanding at August 31, 2018 and 2017 is \$ 199,998 and \$0, respectively.

NOTE 8 OPERATING LINE OF CREDIT

The Organization secured a \$50,000 line of credit with Peoples Security Bank, payable/monthly, interest only, to assist with operational cash flow. The balance outstanding as of August 31, 2018 was \$0 and all funds remain available for draws.

NOTE 9 NET ASSETS TEMPORARILY RESTRICTED

Certain cash accounts reflect donor restricted contributions. The purpose of these contributions is to provide the Organization with the ability to purchase a building and other capital assets or to provide for program activities for a specified period.

The organization received a grant in the amount of \$50,000 from Peoples Security Charitable Foundation payable in 5 annual installments of \$10,000 each. Payments are contingent upon documentation the organization raised 80% of the \$500,000 needed to fund each year of operation. The first two years have been funded. Revenue is recognized in the period it is received. On September 1, 2017 the Organization entered into an agreement with Monroe County Industrial Development Authority (MCIDA) for a Local Share Account Grant in the amount of \$640,500. The grant is to be used for renovation and certain administrative costs associated with The Mountain Center New Roof Project located in Coolbaugh Township, Monroe County, PA. The term of eligible project costs incurred under this grant is between March 29, 2017 and June 30, 2020. ESSA Bank and Trust Foundation has verbally committed to an additional \$300,000 over the course of 5 years.

The combined temporarily restricted net assets as of August 31, 2018 includes:

Monroe County Municipal Authority (LSA Grant)	\$ 172,965
ESSA Bank and Trust Foundation	65,000
Penn Security Bank and Trust Foundation	20,000
Monroe County Bar Association	<u>20,000</u>
	<u>\$ 277,965</u>

**SUPPLEMENTARY INFORMATION REQUIRED
BY OMB CIRCULAR A-133**



TODD J. BUSHTA, CPA

C E R T I F I E D P U B L I C A C C O U N T A N T

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

BOARD OF DIRECTORS, POCONO SERVICES FOR FAMILIES AND CHILDREN

Compliance

We have audited the compliance of Pocono Services For Families and Children, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2018. Pocono Services For Families and Children, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pocono Services For Families and Children, Inc.'s management. Our responsibility is to express an opinion on Pocono Services For Families and Children, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Pocono Services For Families and Children, Inc.'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. Our audit does not provide a legal determination of Pocono Services For Families and Children, Inc.'s compliance with those requirements.

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LEHIGH VALLEY AND POCONO MOUNTAINS

In our opinion, Pocono Services For Families and Children, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2018.

Internal Control Over Compliance

The management of Pocono Services For Families and Children, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pocono Services For Families and Children, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Entity's internal control over compliance. A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, *U.S Department of Health and Human Services* others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bushta & Company

BETHLEHEM, PENNSYLVANIA
JANUARY 9, 2019

**POCONO SERVICES FOR FAMILIES AND CHILDREN,
INCORPORATED**

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

AUGUST 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Cash basis	Prior years accrual	Current years accrual	Accrual basis
 U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Head Start Program</i>	93.600	\$ 1,561,273	\$ 0	\$ 0	\$ 1,561,273
 U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE COMMONWEALTH OF PENNSYLVANIA'S DEPARTMENT OF EDUCATION					
<i>Child and Adult Care Food Program</i>	10.558	\$ 214,626	(\$13,334)	\$ 14,259	\$ 215,551

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pocono Services for Families and Children, Incorporated and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE : For Federal reimbursement purposes under the Head Start Program, reimbursement for depreciation is disallowed by the Head Start Program Regional Authorities.

**POCONO SERVICES FOR FAMILIES AND CHILDREN,
INCORPORATED**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AUGUST 31, 2018

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of Auditors’ Report issued: ***Unmodified***

Internal control over financial reporting

- Material weakness(es) identified? _____ yes _____ X no
- Reportable condition(s) identified that are not considered to be material weaknesses?
reported _____ yes _____ X none

Noncompliance material to financial statements noted?

_____ yes _____ X no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? _____ yes _____ X no
- Reportable condition(s) identified that are not considered to be material weakness(es)?
reported _____ yes _____ X none

Type of auditor’s report issued on compliance for major programs: ***Unqualified***

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes _____ X no

Identification of major programs?

***CFDA Number(s)
Cluster***

Name of Federal Program or

93.600
93.708

Head Start
ARRA Quality Improvement

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

\$750,000

Auditee qualified as low-risk auditee?

_____ X yes _____ no

**POCONO SERVICES FOR FAMILIES AND CHILDREN,
INCORPORATED**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*continued*)

AUGUST 31, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding: None

Questioned Cost: None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding: None

Questioned Cost: None

S U P P L E M E N T A R Y F I N A N C I A L I N F O R M A T I O N



TODD J. BUSHTA, CPA

C E R T I F I E D P U B L I C A C C O U N T A N T

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

BOARD OF DIRECTORS,
POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole of Pocono Services for Families and Children, Incorporated for the year ended August 31, 2018 which is presented in the preceding section of this report. The following supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedules of unrestricted revenue and support by program and unrestricted expenditures by program have been prepared on the regulatory basis of accounting in conformity with principles established by the *U. S. Department of Health and Human Services*. The Organization recognizes in-kind contributions in meeting its Head Start Program matching requirements. These in-kind contributions do not meet the criteria for recognition under *U. S. generally accepted accounting principles*. Additionally, the organization has included capital improvements as expenditures in the schedule of unrestricted expenditures by program rather than as an addition to the improved asset as required by *U. S. generally accepted accounting principles*.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except as indicated in the preceding paragraph, is fairly stated in all material respects in relation to the financial statements taken as a whole

Bushta & Company

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JANUARY 9, 2019

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LEHIGH VALLEY AND POCONO MOUNTAINS

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED**SCHEDULE OF UNRESTRICTED REVENUE AND EXPENSE BY PROGRAM**

FOR THE YEAR ENDED AUGUST 31, 2018

(presented on the regulatory basis for HeadStart Purposes)

	Head Start Program	Other Programs	Total
GRANT REVENUE			
U.S. Department of Health and Human Services - Head Start Program	\$ 1,561,273	\$	\$ 1,561,273
U.S. Department of Agriculture - Child and Adult Care Food Program	215,551		215,551
Commonwealth of Pennsylvania - Dept of Education Commonwealth of Pennsylvania - Head Start Supplemental Assistance Program	1,264,350	412,416	1,264,350
Commonwealth of Pennsylvania - Drug and Alcohol Comm.		50,000	50,000
County of Monroe - Human Services Development Fund	25,157		25,157
County of Monroe - Community Services Block Grant		24,232	24,232
PROGRAM SUPPORT			
United Way	62,476		62,476
Food for Families		2,869	2,869
Pocono Record - Toys for joy		5,500	5,500
Pocono Alliance		860	860
East Stroudsburg Area School District		8,687	8,687
Education Improvement Tax Credit		40,000	40,000
Contributions	62,266	175,188	237,454
OTHER REVENUES AND SUPPORT			
Child care fees		681,817	681,817
Special events, net of direct expenses		16,405	16,405
Rent		154,521	154,521
In-kind contributions - GAAP		2,525	2,525
	3,191,073	1,575,020	4,766,093
NET ASSETS RELEASED FROM RESTRICTION			
Due to expiration of time restrictions or completion of specified purpose	0	602,171	602,171
Total program revenue and support	<u>3,191,073</u>	<u>2,177,191</u>	<u>5,368,264</u>
PROGRAM EXPENSES			
Personnel	2,269,027	769,419	3,038,446
Fringe benefits	343,307	175,911	519,218
Occupancy	87,912	94,673	182,585
Health and nutrition	245,230	11,770	257,000
Supplies	66,820	45,944	112,764
Insurance	75,636	44,286	119,922
Scholarships		1,600	1,600
Service and maintenance	20,897	32,358	53,255
Training and accreditation	31,757		31,757
Transportation	14,043	2,231	16,274
Parent services	12,589	5,286	17,875
Professional and consulting		4,000	4,000
Other	23,855	3,369	27,224
Interest		137,772	137,772
Capital outlay		553,361	553,361
In-kind contributions - GAAP		105,193	105,193
Total Program Expenses	<u>3,191,073</u>	<u>1,987,173</u>	<u>5,178,246</u>
Program surplus / (deficit)	<u>\$ 0</u>	<u>\$ 190,018</u>	<u>\$ 190,018</u>