

COMMUNITY PROGRESS COUNCIL, INC.

FINANCIAL STATEMENTS With Supplementary Information

YEARS ENDED JUNE 30, 2013 AND 2012

COMMUNITY PROGRESS COUNCIL, INC.

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INDEPENDENT AUDITORS' 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), a nonprofit organization, which comprise the Statements of Financial Position as of June 30, 2013 and 2012, and the related Statements of Activities, Functional Expenses - By Natural Classifications, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Auditors' Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Council'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 Council'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, 2013 and 2012, and the changes in its unrestricted 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 Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular (OMB) A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic 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 basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 18, 2014, 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, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of the audits performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Harrisburg, Pennsylvania
March 18, 2014

COMMUNITY PROGRESS COUNCIL, INC.

STATEMENTS OF FINANCIAL POSITION

| | June 30, | |
|--|---------------------|---------------------|
| | <u>2013</u> | <u>2012</u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 26,981 | \$ 748 |
| Certificates of Deposit | 8,545 | 8,545 |
| Revenue Receivables | 773,133 | 1,266,433 |
| Prepaid Expenses | 154,871 | 195,151 |
| TOTAL CURRENT ASSETS | <u>963,530</u> | <u>1,470,877</u> |
| PROPERTY AND EQUIPMENT - At Cost, | | |
| Less Accumulated Depreciation | 637,990 | 769,518 |
| OTHER ASSETS | | |
| Security Deposits | 3,396 | 3,650 |
| TOTAL ASSETS | <u>\$ 1,604,916</u> | <u>\$ 2,244,045</u> |
| LIABILITIES AND UNRESTRICTED NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Cash Management Facility Payable | \$ 0 | \$ 191,372 |
| Line of Credit | 0 | 367,678 |
| Accounts Payable | 66,003 | 10,481 |
| Refundable Advances | 325,805 | 303,345 |
| Accrued Payroll Taxes and Employee Withholdings | 175,691 | 209,534 |
| Security Deposit Payable | 691 | 715 |
| TOTAL CURRENT LIABILITIES | <u>568,190</u> | <u>1,083,125</u> |
| UNRESTRICTED NET ASSETS | <u>1,036,726</u> | <u>1,160,920</u> |
| TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS | <u>\$ 1,604,916</u> | <u>\$ 2,244,045</u> |

See independent auditors' report and accompanying notes.

COMMUNITY PROGRESS COUNCIL, INC.

STATEMENTS OF ACTIVITIES

| | Years Ended June 30, | |
|--|-------------------------|---------------------|
| | 2013 | 2012 |
| UNRESTRICTED NET ASSETS | | |
| SUPPORT AND REVENUE | | |
| Grant and Contract Revenue | \$ 10,781,637 | \$ 11,359,036 |
| Contributions | 18,334 | 26,909 |
| Interest Income | 0 | 36 |
| Other Income | 229,799 | 325,620 |
| In-Kind Contributions | 338,183 | 391,564 |
| TOTAL SUPPORT AND REVENUE | 11,367,953 | 12,103,165 |
| FUNCTIONAL EXPENSES | | |
| Program and Related Services | 10,813,131 | 11,377,569 |
| Supporting Services - Management and General | 679,016 | 655,507 |
| TOTAL FUNCTIONAL EXPENSES | 11,492,147 | 12,033,076 |
| CHANGES IN UNRESTRICTED NET ASSETS | (124,194) | 70,089 |
| UNRESTRICTED NET ASSETS - BEGINNING | 1,160,920 | 1,090,831 |
| UNRESTRICTED NET ASSETS - ENDING | \$ 1,036,726 | \$ 1,160,920 |

See independent auditors' report and accompanying notes.

COMMUNITY PROGRESS COUNCIL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - BY NATURAL CLASSIFICATIONS YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTAL FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | | 2012 Total |
|--------------------------------------|------------------------------------|---------------------------|----------------------|----------------------|
| | Program and Related Services | Management and General | Total | |
| FUNCTIONAL EXPENSES | | | | |
| Advertising | \$ 8,081 | \$ 0 | \$ 8,081 | \$ 9,202 |
| Bank Fees | 0 | 7,082 | 7,082 | 8,639 |
| Classroom Supplies | 54,216 | 0 | 54,216 | 40,586 |
| Computer Software | 107,462 | 1,271 | 108,733 | 32,510 |
| Contracted Services | 35,870 | 23,170 | 59,040 | 44,354 |
| Depreciation | 131,529 | 0 | 131,529 | 139,089 |
| Dues and Memberships | 7,107 | 10,985 | 18,092 | 12,867 |
| Enrollment Costs | 42,151 | 0 | 42,151 | 5,730 |
| Equipment Purchases | 10,730 | 614 | 11,344 | 8,503 |
| Field Trips | 3,092 | 0 | 3,092 | 1,734 |
| Food | 159,420 | 2,434 | 161,854 | 161,653 |
| In-Kind Contributions | 338,182 | 0 | 338,182 | 391,564 |
| Insurance | 59,670 | 5,071 | 64,741 | 62,720 |
| Interest Expense | 12,650 | 0 | 12,650 | 27,043 |
| Internet | 7,822 | 466 | 8,288 | 10,925 |
| Legal and Professional Services | 7,074 | 40,104 | 47,178 | 55,914 |
| Miscellaneous Expense | 60,443 | 91 | 60,534 | 18,740 |
| Parent Activity | 9,705 | 0 | 9,705 | 9,556 |
| Participant Development | 112,938 | 0 | 112,938 | 148,806 |
| Payroll Taxes and Fringe Benefits | 1,640,534 | 89,198 | 1,729,732 | 1,717,415 |
| Postage | 9,764 | 911 | 10,675 | 13,509 |
| Property Taxes | 19,283 | 30 | 19,313 | 18,372 |
| Reference Materials | 670 | 0 | 670 | 2,132 |
| Rent Expense | 321,900 | 25,215 | 347,115 | 360,257 |
| Repairs and Maintenance | 172,932 | 11,645 | 184,577 | 179,406 |
| Reproduction Expense | 9,580 | 3,788 | 13,368 | 16,434 |
| Salaries and Wages | 6,242,801 | 417,960 | 6,660,761 | 6,688,466 |
| Specific Assistance | 569,748 | 0 | 569,748 | 1,164,481 |
| Staff Development | 118,357 | 21,897 | 140,254 | 147,737 |
| Subscriptions and Publications | 1,545 | 0 | 1,545 | 2,471 |
| Supplies | 223,256 | 9,299 | 232,555 | 224,934 |
| Telephone and Utilities | 247,521 | 7,045 | 254,566 | 237,679 |
| Travel and Transportation | 67,098 | 740 | 67,838 | 69,648 |
| TOTAL FUNCTIONAL EXPENSES | \$ 10,813,131 | \$ 679,016 | \$ 11,492,147 | \$ 12,033,076 |

See independent auditors' report and accompanying notes.

COMMUNITY PROGRESS COUNCIL, INC.

STATEMENTS OF CASH FLOWS

| | Years Ended June 30, | |
|---|-------------------------|----------------|
| | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in Unrestricted Net Assets | \$ (124,194) | \$ 70,089 |
| Adjustments to Reconcile Changes in Unrestricted Net Assets to Net Cash Provided by Operating Activities | | |
| Depreciation | 131,529 | 139,089 |
| (Increase) Decrease in | | |
| Revenue Receivables | 493,300 | 162,230 |
| Prepaid Expenses | 40,280 | (161,907) |
| Security Deposits | 254 | 0 |
| Increase (Decrease) in | | |
| Accounts Payable | 55,522 | (67,954) |
| Refundable Advances | 22,460 | (6,205) |
| Accrued Payroll Taxes and Employee Withholdings | (33,843) | (126,128) |
| Security Deposits Payable | (25) | 553 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 585,283 | 9,767 |
| CASH FLOWS USED BY INVESTING ACTIVITIES | | |
| Change in Value - Certificates of Deposit | 0 | (36) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Changes in Cash Management Facility Payable | (191,372) | 82,491 |
| Changes in Line of Credit | (367,678) | (92,222) |
| NET CASH USED BY FINANCING ACTIVITIES | (559,050) | (9,731) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 26,233 | 0 |
| CASH AND CASH EQUIVALENTS - BEGINNING | 748 | 748 |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 26,981 | \$ 748 |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest Paid | \$ 12,650 | \$ 27,043 |

See independent auditors' report and accompanying notes.

COMMUNITY PROGRESS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Community Progress Council, Inc. (the Council), a nonprofit organization, was established to provide assistance to low-to-moderate income individuals and families in York County, Pennsylvania, despite their inability to pay. The Council operates a variety of programs including, but not limited to Head Start, Child Care Food Program, Senior Citizen Programs, WIC (Women, Infants, and Children), Work Ready and Subsidized Work Programs, Rental Assistance, and Outreach and Referral Programs. The Council's programs are funded by various federal, state, and local grants, allocations, and private donations.

Basis of Accounting

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

Basis of Presentation

The Council's financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) No. 958, "Not-for-Profit Entities." Under ASC No. 958, the Council 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. In addition, the Council is required to present the Statements of Cash Flows. Under the provisions of ASC No. 958, net assets and changes therein are classified and reported, based on the existence or absence of donor-imposed stipulations.

- * **Unrestricted Net Assets** are net assets that are not subject to donor-imposed stipulations. Included in unrestricted net assets for the Council are capital assets that have some conditional stipulations due to the fact that they were originally funded by grantors.
- * **Temporarily Restricted Net Assets** are net assets subject to donor-imposed stipulations that will be met either by action of the Council and/or the passage of time.
- * **Permanently Restricted Net Assets** are net assets subject to permanent donor-imposed stipulations that they be maintained permanently.

At June 30, 2013 and 2012, the Council's net assets are all unrestricted.

COMMUNITY PROGRESS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Financial Statements

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's financial statements as of and for the year ended June 30, 2012, from which the summarized information was derived.

Cash and Cash Equivalents

The Council considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Revenue Receivables and Allowance for Doubtful Accounts

Revenue receivables are stated at outstanding balances. An allowance for doubtful accounts is established through provisions charged against revenue. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective, as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due. At June 30, 2013 and 2012, management's assessment has determined that no allowance for uncollectible accounts is required.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Property and equipment are depreciated using the straight-line method of accounting over the estimated useful lives of the assets. The Council's policy is to capitalize additions, improvements, and major renewals of \$5,000 or more. Maintenance, repairs, and minor renewals are charged against operations when incurred.

Refundable Advances

Refundable advances consist of grant funds that have been received in advance of incurring costs.

COMMUNITY PROGRESS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Council accounts for contributions in accordance with the recommendations of ASC No. 958-605, "Revenue Recognition." All contributions are considered to be available for unrestricted use, unless explicit donor-imposed stipulations specify how the contributions must be used. Amounts received that are designated for future periods or are restricted by donor-imposed stipulations for specific purposes are reported as temporarily restricted or permanently restricted support that would increase those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Council reports the support as unrestricted. When a donor-imposed stipulation expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily or permanently restricted net assets are reclassified as unrestricted net assets and reported on the Statements of Activities as net assets released from restrictions. Grant revenue which is deemed to be in respect of an exchange transaction, is classified as unrestricted revenue or deferred revenue, as appropriate, when received or receivable. Such grant revenue is not deemed to be in respect of an exchange transaction, since the proceeds thereof are used to pursue objectives of the grantor.

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, promises to give, accounts payable, accrued expenses, and other current liabilities approximate the fair value because of the short maturity of these items. Other financial instruments, for which the fair value measurement is recurring, are measured in accordance with an established hierarchy of inputs to the valuation techniques under accounting standards generally accepted in the United States of America. The methodology for establishing the fair value for the Council's investments is more fully described below.

Fair Value Measurements

ASC No. 820, "Fair Value Measurements," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

- * **Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.
- * **Level 2** - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, directly or indirectly, for substantially the full-term of the financial instrument.
- * **Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

COMMUNITY PROGRESS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Space, Services, Materials, and Supplies

Contributed space, services, materials, and supplies are valued and recorded as in-kind revenue and expenses at the time they are received. Contributed materials are valued at their estimated fair value, professional services are valued at market value, and contributed space is recorded at the fair rental value of the space provided. Contributed professional services are recognized, if the service received, either (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. Contributions of assets are recognized at the fair values when received. A substantial number of volunteers have made significant contributions of their time to the Council's program and supporting services that do not meet the recognition of the two above criteria. Accordingly, the value of the contributions of time is not reflected in the financial statements, since it does not require a specialized skill.

Allocations of Functional Expenses

The cost of providing the various program and related services and other activities are summarized on a functional basis on the Statements of Activities and Statements of Functional Expenses - By Natural Classifications. Accordingly, certain costs have been allocated among the program and related services and supporting services benefited.

Federal Income Taxes

The Council is exempt from federal income taxes as an organization described under the Internal Revenue Code (IRC) Section 501(c)(3), except for net income derived from unrelated business activities, if any. The Council has been determined not to be a private foundation. The Council's open audit periods are 2009 through 2011. ASC No. 740-10, "Income Taxes," prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose uncertain tax positions taken on its tax returns. The Council believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and support and revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

COMMUNITY PROGRESS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising is expensed as incurred. Advertising costs were \$8,081 and \$9,202 for the years ended June 30, 2013 and 2012, respectively.

Reclassification

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation. These reclassifications did not affect the prior year changes in unrestricted net assets.

Subsequent Events

Management of the Council has evaluated subsequent events through March 14, 2014, which is the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

2. CONCENTRATION OF CREDIT RISK

The Council's cash balance(s) in financial institutions, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Council has not experienced any losses and believes it is not exposed to any significant credit risk. Management regularly monitors the financial institutions, along with its cash balances, in an effort to keep potential risk to a minimum.

3. CERTIFICATES OF DEPOSIT

During the years ended June 30, 2013 and 2012, the Council held, at times, various certificates of deposit at a local banking institution that are set to mature in less than one year. The certificates of deposit are valued in accordance with the fair value hierarchy, which is a Level 2 valuation input, as described in Note 1 - "*Fair Value Measurements.*" Interest income recognized on the certificates of deposit were \$0 and \$36 for the years ended June 30, 2013 and 2012, respectively.

4. PREPAID EXPENSES

Prepaid expenses consist of the following at June 30:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|-------------------|-------------------|
| Miscellaneous Prepaid Expenses | \$ 29,510 | \$ 28,478 |
| Prepaid Insurance | 124,598 | 165,986 |
| Prepaid Postage | 763 | 687 |
| Total Prepaid Expenses | <u>\$ 154,871</u> | <u>\$ 195,151</u> |

COMMUNITY PROGRESS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2013 AND 2012

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | <u>Useful Lives</u> | <u>2013</u> | <u>2012</u> |
|--------------------------------|---------------------|-------------------|-------------------|
| Land and Improvements | N/A | \$ 6,309 | \$ 6,309 |
| Land Improvements | 40 Years | 3,519 | 3,519 |
| Buildings and Improvements | 10 - 40 Years | 632,114 | 632,114 |
| Equipment | 10 Years | <u>995,565</u> | <u>1,059,556</u> |
| Total Property and Equipment | | 1,637,507 | 1,701,498 |
| Less: Accumulated Depreciation | | <u>(999,517)</u> | <u>(931,980)</u> |
| Net Book Value | | <u>\$ 637,990</u> | <u>\$ 769,518</u> |

Depreciation for the years ended June 30, 2013 and 2012 was \$131,529 and \$139,089, respectively.

6. CASH MANAGEMENT FACILITY PAYABLE

The Council's Cash Management Facility Payable represents draws upon a line of credit to pay checks drawn in excess of amounts deposited. This account allows the Council to continue smooth operations while awaiting payment of outstanding receivables.

7. LINE OF CREDIT

The Council has a line of credit with a local lending institution, up to the maximum amount of \$900,000. The interest rate is at the bank's prime rate. The outstanding balances at June 30, 2013 and 2012 were \$0 and \$367,678, respectively.

8. REFUNDABLE ADVANCES

Refundable advances consist of the following at June 30:

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Pennsylvania Department of Health - WIC | \$ 169,586 | \$ 149,150 |
| Pennsylvania Department of Public Welfare - Work Ready | 72,122 | 0 |
| Pennsylvania Department of Community and Economic Development - CSBG Administration Direct Services | 10,649 | 130,180 |
| Head Start Supplemental Assistance | 43,055 | 0 |
| York County Human Services - Adult Case Management | 0 | 3,971 |
| National Council on Aging, Inc. - SCSEP | 10,367 | 257 |
| Other Deposits or Advances | <u>20,026</u> | <u>19,787</u> |
| Total | <u>\$ 325,805</u> | <u>\$ 303,345</u> |

COMMUNITY PROGRESS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2013 AND 2012

9. IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following at June 30:

| | <u>2013</u> | <u>2012</u> |
|------------------------------|-------------------|-------------------|
| Contributed Space | \$ 290,572 | \$ 316,194 |
| Contributed Materials | 47,610 | 75,370 |
| Total | <u>\$ 338,182</u> | <u>\$ 391,564</u> |
| | | |
| Foster Grandparent's Program | \$ 44,400 | \$ 60,627 |
| Head Start Program | 293,782 | 330,937 |
| Total | <u>\$ 338,182</u> | <u>\$ 391,564</u> |

10. INDIRECT COST RATE

Effective for program years beginning after June 30, 1996, indirect administrative costs are allocated to all programs utilizing either a provisional or predetermined rate. This rate is applied to all programs using a relevant basis of direct salaries and wages. This method of cost allocation addresses all elements of costs incurred and identifies common or shared costs, which require consistent and sound allocation in order to be equitably shared by all programs.

This system does not increase common or shared costs, but provides for their identification and equitable distribution on an organizational-wide basis, rather than through the negotiation of costs as a part of individual grant and contract negotiations. The Council has negotiated a predetermined indirect cost rate of 6.6 percent. The rate was in effect until July 1, 2008, when it became a provisional rate of 7.0 percent.

| | <u>2013</u> | <u>2012</u> |
|------------------------------|-------------------|-------------------|
| Total Management and General | \$ 679,016 | \$ 655,507 |
| Less: Grant Funding | (274,741) | (232,824) |
| Less: Interest Income | 0 | (36) |
| Less: Contributions | (122) | (2,629) |
| Net Costs to be Recovered | <u>\$ 404,153</u> | <u>\$ 420,018</u> |

COMMUNITY PROGRESS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2013 AND 2012

10. INDIRECT COST RATE (Continued)

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Calculation of Salaries and Wages Base | | |
| Salaries and Wages | \$ 6,660,761 | \$ 6,688,466 |
| Less: Administrative Salaries and Wages | (417,960) | (362,630) |
| Less: Stipends Paid to Enrollees | (469,187) | (423,888) |
| Total Salaries and Wages Base | <u>\$ 5,773,614</u> | <u>\$ 5,901,948</u> |
| Calculation of Actual Indirect Cost Rate | | |
| Net Costs to be Recovered | <u>\$ 404,153</u> | <u>\$ 420,018</u> |
| Salaries and Wages Base | \$ 5,773,614 | \$ 5,901,948 |
| Indirect Cost Percentage | 7% | 7% |

11. PROFIT SHARING 401(K) DEFERRED CONTRIBUTION PLAN

The Council sponsors a profit sharing 401(k) deferred contribution plan. Employees who meet certain eligibility requirements are eligible to participate in the plan. Eligible employees can elect to contribute up to a maximum of the lesser of 25.0 percent of compensation or \$16,500 (\$22,000 for age fifty and older) for each of the years ended June 30, 2013 and 2012. Employer matching contributions are 100.0 percent, up to a maximum of 3.0 percent. Employer contributions are fully vested after three years of service. Employer contributions for the years ended June 30, 2013 and 2012 were \$108,396 and \$113,000, respectively.

12. CONTINGENT LIABILITIES

The Council participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their respective oversight agencies. The Council is potentially liable for any expenses that 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.

Under certain grant agreements, provisions exist that would require repayment to the grantor of the net book value of capital assets purchased with grant funds. These capital assets have been segregated in the Council's records. The net book value of assets purchased in this manner was \$601,371 and \$729,429 at June 30, 2013 and 2012, respectively. Repayment of these costs is not anticipated by the Council.

COMMUNITY PROGRESS COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012**

13. OPERATING LEASES

The Council has entered into various property and equipment lease agreements. These leases are for facilities, which have monthly rental payments ranging from \$65 to \$3,280 and involve original terms ranging from one to ten years.

Future minimum lease payments are as follows for the years ending June 30:

| | |
|------|------------|
| 2014 | \$ 237,255 |
| 2015 | \$ 176,822 |
| 2016 | \$ 176,412 |
| 2017 | \$ 174,222 |
| 2018 | \$ 138,888 |
| 2019 | \$ 211,843 |

SUPPLEMENTARY INFORMATION

COMMUNITY PROGRESS COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

| Federal Grantor/Pass-Through Grantor/Program Title | Pass- Through Entity ID Number | Federal CFDA Number | Grant Period Beginning/ Ending Date | Federal Expenditures |
|--|---|---------------------------|---|-------------------------|
| <i>U.S. Department of Agriculture</i> | | | | |
| Pass-Through from Pennsylvania Department of Health | | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) | 4100056555 | 10.557 | 10/01/2011-09/30/2012 | \$ 349,693 |
| Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) | 4100060472 | 10.557 | 10/01/2012-09/30/2013 | 1,037,288 |
| Total Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) | | | | \$ 1,386,981 |
| WIC Farmers' Market Nutrition Program | | 10.572 | 10/01/2012 - 09/30/2013 | \$ 32,868 |
| Pass-Through from Pennsylvania Department of Education | | | | |
| Child and Adult Care Food Program | | 10.558 | 10/01/2011-09/30/2012 | \$ 31,816 |
| Child and Adult Care Food Program | | 10.558 | 10/01/2012-09/30/2013 | 246,694 |
| Total Child and Adult Care Food Program | | | | \$ 278,510 |
| <i>Total U.S. Department of Agriculture</i> | | | | \$ 1,698,359 |
| <i>U.S. Department of Housing and Urban Development</i> | | | | |
| Pass-Through from City of York | | | | |
| Community Development Block Grants | | | | |
| Homebuyer Assistance Program | | 14.218 | 01/01/2012-12/31/2012 | \$ 26,504 |
| Homebuyer Assistance Program | | 14.218 | 01/01/2013-12/31/2013 | 8,630 |
| Pass-Through from York County Planning Commission | | | | |
| Community Development Block Grants/Entitlement Grant | | | | |
| Homebuyer Assistance | | 14.218 | 01/01/2011-12/31/2011 | 18,822 |
| Homebuyer Assistance | | 14.218 | 01/01/2012-12/31/2012 | 48,948 |

See independent auditors' report and accompanying note to schedule.

COMMUNITY PROGRESS COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

| Federal Grantor/Pass-Through Grantor/Program Title | Pass- Through Entity ID Number | Federal CFDA Number | Grant Period Beginning/ Ending Date | Federal Expenditures |
|--|---|---------------------------|---|-------------------------|
| <i>U.S. Department of Housing and Urban Development (Continued)</i> | | | | |
| Pass-Through from York County Planning Commission (Continued) | | | | |
| Community Center - Delta Outreach | | 14.218 | 01/01/2012-12/31/2012 | \$ 12,453 |
| Community Center - Delta Outreach | | 14.218 | 01/01/2013-12/31/2013 | 5,484 |
| Rental Assistance | | 14.218 | 01/01/2011-12/31/2011 | 15,756 |
| Rental Assistance | | 14.218 | 01/01/2012-12/31/2012 | 25,000 |
| Rental Assistance | | 14.218 | 01/01/2013-12/31/2013 | 8,918 |
| Total Community Development Block Grants/Entitlement Grant | | | | \$ 170,515 |
| Pass-Through from York County Planning Commission | | | | |
| Emergency Solutions Grant Program | | 14.231 | 10/01/2012-09/30/2013 | \$ 14,524 |
| Homeless Prvention/Rabid Re-Housing (ARRA) | | 14.257 | 09/30/2009-09/30/2013 | \$ 57,894 |
| Pass-Through York Housing Authority | | | | |
| Section 8 Housing Choice Vouchers | | 14.871 | 01/01/2012-12/31/2012 | \$ 5,505 |
| Section 8 Housing Choice Vouchers | | 14.871 | 01/01/2013-12/31/2013 | 8,724 |
| Total Section 8 Housing Choice Vouchers | | | | \$ 14,229 |
| Total U.S. Department of Housing and Urban Development | | | | \$ 257,162 |
| <i>U.S. Department of Labor</i> | | | | |
| Pass-Through from National Council on Aging | | | | |
| Senior Community Service Employment Program | AD-2184GJ-64 | 17.235 | 07/01/2012-06/30/2013 | \$ 580,479 |
| <i>U.S. Department of Health and Human Services</i> | | | | |
| Head Start | 03CH2106/47 | 93.600 | 06/01/2012-05/31/2013 | \$ 3,215,669 |
| Head Start | 03CH2106/48 | 93.600 | 06/01/2013-05/31/2014 | 83,983 |
| Early Head Start | 03CH2106/46 | 93.600 | 10/01/2011-05/31/2012 | 12,572 |

See independent auditors' report and accompanying note to schedule.

COMMUNITY PROGRESS COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

| Federal Grantor/Pass-Through Grantor/Program Title | Pass- Through Entity ID Number | Federal CFDA Number | Grant Period Beginning/ Ending Date | Federal Expenditures |
|---|---|---------------------------|---|-------------------------|
| <i>U.S. Department of Health and Human Services (Continued)</i> | | | | |
| Early Head Start | 03CH2106/47 | 93.600 | 06/01/2012-05/31/2013 | \$ 1,282,938 |
| Early Head Start | 03CH2106/48 | 93.600 | 06/01/2013-05/31/2014 | 99,033 |
| Total Head Start/Early Head Start | | | | \$ 4,694,195 |
| Pass-Through Pennsylvania Department of Public Welfare | | | | |
| Temporary Assistance for Needy Families Work Ready | 4100057873 | 93.558 | 10/01/2012-09/30/2013 | \$ 216,975 |
| Pass-Through PA Department of Community and Economic Development | | | | |
| Community Services Block Grant | C000051705 | 93.569 | 10/01/2011-09/30/2012 | \$ 274,584 |
| Community Services Block Grant | C000052450 | 93.569 | 10/01/2012-09/30/2013 | 368,762 |
| Total Community Service Block Grant | | | | \$ 643,346 |
| Corporation for National and Community Services | | | | |
| Foster Grandparent Program | 10SFAPA004 | 94.011 | 04/01/2012-03/31/2013 | \$ 191,758 |
| Foster Grandparent Program | 10SFAPA004 | 94.011 | 04/01/2013-03/31/2014 | 62,992 |
| Total Foster Grandparent Program | | | | \$ 254,750 |
| Total U.S. Department of Health and Human Services | | | | |
| | | | | \$ 5,809,266 |
| U.S. Department of Homeland Security | | | | |
| Pass-Through from United Way of America | | | | |
| Emergency Food and Shelter National Board Program | LRO#734200-007 | 97.024 | 07/01/2012-06/30/2013 | \$ 9,265 |
| Total Federal Awards Expended | | | | \$ 8,354,531 |

See independent auditors' report and accompanying note to schedule.

COMMUNITY PROGRESS COUNCIL, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2013

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Council 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*.



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**INDEPENDENT AUDITORS' 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 the 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 of the United States, the financial statements of **Community Progress Council, Inc.** (the Council), a nonprofit organization, which comprise the Statements of Financial Position as of June 30, 2013 and 2012, and the related Statements of Activities, Functional Expenses - By Natural Classifications, and Cash Flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Council'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.

Internal Control over Financial Reporting (Continued)

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, as described on the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, as Finding No. 2013-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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 Standards*.

Community Progress Council, Inc.'s Response to Finding

The Council's response to the finding identified in our audit is described on the accompanying Schedule of Findings and Questions Costs. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no such opinion.

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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



York, Pennsylvania
March 18, 2014



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133**

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.** (the Council), a nonprofit organization, compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. The Council's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit 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 the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Auditors' Responsibility (Continued)

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.

Unmodified 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, 2013.

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 OMB Circular A-133, 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 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 or 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, we identified a deficiency in internal control over compliance, as described on the accompanying Schedule of Findings and Questioned Costs, as Findings 2013-01, that we consider to be a significant deficiency.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of **Community Progress Council, Inc.** as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon, dated March 18, 2014, which contained an unmodified opinion on those financial statements. Our audits were 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 OMB Circular A-133 and is not a required part of the basic 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 Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



Harrisburg, Pennsylvania
March 18, 2014

COMMUNITY PROGRESS COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDIT RESULTS

1. The *Independent Auditors' Report* expresses an unmodified opinion on the financial statements of the Council.
2. The *Independent Auditors' 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* reported no material weaknesses.
3. The *Independent Auditors' 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* identified a significant deficiency in internal control that is required to be reported in accordance with *Government Auditing Standards*. This deficiency is described as Finding No. 2013-01.
4. The *Independent Auditors' Report on Compliance for Each Major Federal Program* did not identify instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.
5. The *Report on Internal Control over Compliance* discloses one audit finding that is required to be reported in accordance with Section 501(a) of OMB Circular A-133, as Finding No. 2013-01.
6. The *Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133* expresses the opinion that the Schedule is fairly stated in all material respects.
7. The programs tested as Major Programs:
 - U.S. Department of Agriculture***
Special Supplemental Nutrition Program WIC - Federal CFDA No. 10.557
 - U.S. Department of Labor***
Senior Community Service Employment - Federal CFDA No. 17.235
 - U.S. Department of Health and Human Services***
Head Start - Federal CFDA No. 93.600
 - U.S. Department of Health and Human Services***
Community Services Block Grant - Federal CFDA No. 93.569
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Council did not qualify as a low risk auditee.

COMMUNITY PROGRESS COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2013

Finding No. 2013-01

Criteria: The financial information system needs to be properly utilized to allow for a clean cut-off at month-end and year-end dates.

Condition: The system currently in use is complex and is accommodating to a variety of programs, which extend across fiscal periods, but the proper method of performing the year-end close has not been performed by the Council's staff in a timely manner. Generally, the software consultants have been involved in this process, but it takes place several months subsequent to year-end. Further, during the subsequent period, entries can and are posted into the prior period.

Cause: Largely the cause is due to employee turnover. This system requires a significant amount of understanding of all of the Council's programs and experience and knowledge with the GMS software system. Turnover has prevented this from occurring.

Effect: Accounts were not properly closed at year-end.

Recommendation: That the Council strive to hire and retain competent fiscal individuals, while providing the training and assistance needed to work within the financial framework in place.

Auditee's Response and Corrective Action Plan:

The Council agrees with the Auditor's recommendation. We hired a new Chief Financial Officer (CFO) in October, 2013 and will consider supplementing staff as funding allows. The CFO had eight days of intensive one-on-one training at the Council with the lead trainer from GMS Accounting Software. The current fiscal department staff is scheduled to participate in training on the software at its annual conference in May of 2014. The Council will re-evaluate the modules currently in use and add others that will enhance the fiscal control and operations

COMMUNITY PROGRESS COUNCIL, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2013

Finding No. 2012-01

Criteria: To accurately reflect the financial position and results of operations, all general ledger accounts should be reviewed on a monthly basis, with adjustments made as necessary. Compliance with grant terms requires that cash management controls exist to ensure that the time elapsing between the transfer of federal funds and the disbursement of those funds be minimized.

Condition: During the audit for the year ended June 30, 2012, many of the prior year adjusting entries were not reversed, until May 2012, and a significant number of adjusting entries were posted as a result of the audit.

Cause: During the year ended June 30, 2012, the individual in charge with adjusting the financial statements was seriously ill and was on sick leave for several months.

Effect: Because of the lack of timeliness of journal entries made to reverse prior receivables and deferred revenue, internal financial reports were likely inaccurate. Further, the balance of grant funds would not have been properly reported, due to the fact that the receivables and revenue deferred would impact the amount of grant funds already drawn down. Because of the number of entries posted as a result of the audit, the financial statements and the grant activity may not have been properly recorded or reported.

Recommendation: Those entries made at year-end, to record receivables and deferred revenue, be promptly reversed after the audit is complete. We also recommend that two individuals share responsibility for posting and reversing journal entries, so that in the event that a position becomes vacant for a period of time, another employee is able to perform those duties. We also recommend that the adjusting journal entries be reviewed by an individual, who is independent of recording and processing financial information.

Status at Year-End 2013: This issue appears to have been largely resolved. Adjusting entries made as a result of the June 30, 2012 audit were properly posted and reversed.

COMMUNITY PROGRESS COUNCIL, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2013

Finding No. 2011-01

Criteria: To accurately reflect the financial position and results of operations, all general ledger accounts should be reviewed on a monthly basis, with adjustments made as necessary.

Condition: During the audit for the year ended June 30, 2011, the auditors observed that material journal entries were posted to the general ledger to correct various accounts receivable, deferred revenue, payroll liability, and revenue accounts.

Effect: Because of the lack of timeliness of the material journal entries made during the audit process, the Council runs the risk that material adjustments to the general ledger could result in unrecovered and disallowed costs.

Recommendation: That procedures and controls be implemented to ascertain that the all general ledger accounts be analyzed on a monthly basis and adjusted as needed.

Current Status: A similar finding was reported at June 30, 2012 and the 2013-01 finding also addresses issues with the general ledger.

Finding No. 2011-02

Criteria: Payroll taxes reports should be timely filed and payroll taxes should be timely paid, before due dates, to prevent the Council from incurring penalties and interest on late payments.

Condition: During the audit for the year ended June 30, 2011, the auditors observed that material payroll taxes reports were not filed and certain payroll taxes were not remitted to taxing agencies before the due dates. This was discovered as part of the audit process and brought to management's attention.

Effect: The Council had incurred penalties and interest for noncompliance with payroll statutes.

Recommendation: That procedures and controls be implemented to ascertain that the payroll tax reports are filed and applicable remittances are made in accordance with payroll statutes.

Current Status: Subsequent to the year ended June 30, 2011, the Council contracted with a local service provider to assist with its payroll processing. Our testing of the payroll process did not reveal significant deficiencies or untimely filings.

COMMUNITY PROGRESS COUNCIL, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2013

Finding No. 2011-03

Criteria: The Department of Health and Human Services' (DHHS) cash drawdown procedures as stated during the March 2011 OMB A-133, *Compliance Supplement* and the Council's policies and procedures mandate an appropriate level of supervisory review of cash management.

Condition: During the audit, we had observed that on or around July 2010, the cash drawdowns requested for Head Start were no longer being approved by a person independent of preparing the drawdown request.

Effect: The Council is not in compliance with DHHS' and the Council's policies and procedures relating the drawdown procedures.

Recommendation: We recommend that the Council reimplemented its policies, which all DHHS' draw downs be reviewed and approved by an independent authorized individual.

Current Status: This issue appears to have been resolved.

YEAR ENDING JUNE 30, 2010

Finding No. 2010-01 - Cash Reconciliation

Reportable Condition: The bank reconciliation for the month of June 2010 was not completed until October 2010.

Recommendation: That procedures be implemented to ensure that current policies and procedures be monitored for compliance.

Current Status: This issue appears to have been resolved.

2010-02 - Timely Invoicing

Reportable Condition: Work Ready invoices for the months of January through March 2010 were prepared on June 6, 2010 and April 2010 through June 2010 were prepared on February 4, 2011.

Recommendation: That procedures and controls be implemented to ascertain that the period of time between program disbursements and reimbursements be minimized.

Current Status: This issue appears to have been resolved.

COMMUNITY PROGRESS COUNCIL, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2013

Finding No. 2010-03 - Accounts Receivable

Reportable Condition: The accounts receivable subsidiary ledger stopped being maintained and old outstanding invoices were not investigated.

Recommendation: That procedures and controls be implemented to ascertain that the period of time between the invoicing and the collection of accounts receivable be minimized.

Current Status: Accounts receivable appear to be properly and timely accounted for, with the exception of the year ending closing procedures, which would affect these balances. Once the year-end closing procedures are being properly performed, it is likely that this will no longer be an issue.

Finding No. 2010-04 - Financial Policies and Procedures

Reportable Condition: The Council has in place a comprehensive Accounting and Financial Policies and Procedures Manual. The auditors observed that several policies and procedures were no longer being followed.

Recommendation: That the Accounting and Financial Policies and Procedures Manual be reviewed by management and the board of directors. If it is determined that policies and procedures are not being followed, we recommend that corrective action be taken immediately. That controls be designed and implemented to ensure that current policies and procedures be monitored for compliance

Current Status: Issues that existed in the year ended June 30, 2010, with respect to the Accounting and Financial Policies and Procedures that were no longer being followed or monitored for compliance appear to have been resolved.

With respect to the audit Finding Nos. 2010-01 through 2010-04 will not be included in subsequent Schedules of Prior Findings and Questioned Costs for the reason that two years have passed since the audit report in which the findings were referenced and it appears that the issues therein disclosed have been addressed.

COMMUNITY PROGRESS COUNCIL, INC.

SCHEDULE OF REVENUE, EXPENSES AND COMPARISON WITH BUDGET

CASE MANAGEMENT PROGRAM YORK COUNTY HUMAN SERVICES DEPARTMENT CONTRACT NUMBER 061500-5200-358-974

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------------------|----------------|------------------|------------------|
| REVENUE | | | |
| York County Human Services Department | \$ 112,864 | \$ 137,281 | \$ 24,417 |
| EXPENSES | | | |
| Personnel Expenses | | | |
| Salaries | 66,042 | 64,513 | (1,529) |
| Fringe Benefits | 17,875 | 16,625 | (1,250) |
| Employee Training | 420 | 118 | (302) |
| Miscellaneous Personnel Expenses | 630 | 164 | (466) |
| Total Personnel Expenses | <u>84,967</u> | <u>81,420</u> | <u>(3,547)</u> |
| Operating Expenses | | | |
| Occupancy | 17,881 | 15,404 | (2,477) |
| Communication | 3,256 | 2,339 | (917) |
| Supplies | 630 | 3,166 | 2,536 |
| Purchased Services | - | 1,922 | 1,922 |
| Staff Travel | 645 | 188 | (457) |
| Miscellaneous Operating Expenses | 862 | 718 | (144) |
| Indirect Costs | 4,623 | 4,516 | (107) |
| Total Operating Expenses | <u>27,897</u> | <u>28,253</u> | <u>356</u> |
| TOTAL EXPENSES | <u>112,864</u> | <u>109,673</u> | <u>(3,191)</u> |
| EXCESS REVENUE OVER EXPENSES | <u>\$ 0</u> | <u>\$ 27,608</u> | <u>\$ 27,608</u> |

See independent auditors' report and accompanying notes.

COMMUNITY PROGRESS COUNCIL, INC.

SCHEDULE OF REVENUE, EXPENSES AND COMPARISON WITH BUDGET

**HOMELESS ASSISTANCE PROGRAM
YORK COUNTY HUMAN SERVICES DEPARTMENT
CONTRACT NUMBER 061500-5200-451-978**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------------------|----------------|----------------|-----------------|
| REVENUE | | | |
| York County Human Services Department | \$ 143,449 | \$ 137,316 | \$ (6,133) |
| EXPENSES | | | |
| Personnel Expenses | | | |
| Salaries | 86,807 | 83,525 | (3,282) |
| Fringe Benefits | 23,647 | 20,882 | (2,765) |
| Employee Training | 580 | 157 | (423) |
| Miscellaneous Personnel Expenses | 870 | 208 | (662) |
| Total Personnel Expenses | <u>111,904</u> | <u>104,772</u> | <u>(7,132)</u> |
| Operating Expenses | | | |
| Occupancy | 17,837 | 19,085 | 1,248 |
| Communication | 4,555 | 3,361 | (1,194) |
| Supplies | 870 | 3,008 | 2,138 |
| Staff Travel | 855 | 256 | (599) |
| Purchased Services | 0 | 0 | 0 |
| Miscellaneous Operating Expenses | 1,191 | 987 | (204) |
| Indirect Costs | 6,237 | 5,847 | (390) |
| Total Operating Expenses | <u>31,545</u> | <u>32,544</u> | <u>999</u> |
| TOTAL EXPENSES | <u>143,449</u> | <u>137,316</u> | <u>(6,133)</u> |
| EXCESS REVENUE OVER EXPENSES | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

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