

Community Progress Council, Inc.

**Financial Statements and
Supplementary Information**

June 30, 2017 and 2016



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Community Progress Council, Inc.

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June 30, 2017 and 2016

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Community Progress Council, Inc. (Council), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, changes in unrestricted net assets, functional expenses - by natural classification, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Progress Council, Inc. as of June 30, 2017, and the changes in its unrestricted net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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

Prior Year Audited by Other Auditors

The financial statements of the Council, as of and for the year ended June 30, 2016, were audited by other auditors whose report dated December 28, 2016, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

RKL LLP

January 22, 2018
York, Pennsylvania

Community Progress Council, Inc.

Statement of Financial Position

	June 30,	
	2017	2016
Assets		
Current Assets		
Cash	\$ 220	\$ 320
Accounts receivable	977,592	1,425,329
Prepaid expenses	1,654	86,957
Total Current Assets	979,466	1,512,606
Property and Equipment, Net	444,286	472,103
Other Assets		
Security deposits	2,761	2,761
Total Assets	\$ 1,426,513	\$ 1,987,470
Liabilities and Unrestricted Net Assets		
Current Liabilities		
Line of credit	\$ -	\$ 611,979
Accounts payable	71,120	114,940
Refundable advances	140,412	151,353
Payroll taxes withheld and accrued	89,499	76,351
Total Liabilities	301,031	954,623
Unrestricted Net Assets	1,125,482	1,032,847
Total Liabilities and Unrestricted Net Assets	\$ 1,426,513	\$ 1,987,470

Community Progress Council, Inc.

Statement of Activities

	Years Ended June 30,	
	2017	2016
Support and Revenue		
Grant and contract revenue	\$ 11,507,338	\$ 11,246,274
In-kind contributions	285,177	260,390
Contributions	23,831	22,073
Other income	14,874	117,173
Loss on disposal of property and equipment	(1,350)	-
Total Support and Revenue	11,829,870	11,645,910
Expenses		
Program services	10,601,435	10,512,156
Supporting services		
Management and general	1,135,800	1,082,611
Total Expenses	11,737,235	11,594,767
Changes in Unrestricted Net Assets	\$ 92,635	\$ 51,143

Community Progress Council, Inc.Statement of Changes in Unrestricted Net Assets

	Years Ended June 30,	
	2017	2016
	<hr/>	<hr/>
Unrestricted Net Assets at Beginning of Year	\$ 1,032,847	\$ 981,704
Changes in unrestricted net assets	<hr/> 92,635	<hr/> 51,143
Unrestricted Net Assets at End of Year	<hr/> \$ 1,125,482 <hr/>	<hr/> \$ 1,032,847 <hr/>

Community Progress Council, Inc.

Schedule of Functional Expenses - by Natural Classification

	Year Ended June 30, 2017		
		Supporting Services	
	Program and Related Services	Management and General	Totals
Salaries and wages	\$ 6,266,357	\$ 668,717	\$ 6,935,074
Employee benefits and payroll taxes	1,789,189	138,191	1,927,380
Rent	446,260	31,245	477,505
Specific assistance	430,976	-	430,976
Food	233,089	1,783	234,872
Utilities	196,164	5,047	201,211
Staff development	139,502	60,589	200,091
Supplies	181,273	9,349	190,622
Enrollment costs	160,683	-	160,683
Classroom supplies	132,497	-	132,497
Transportation	116,464	3,855	120,319
Depreciation	108,615	-	108,615
Repairs and maintenance	93,764	1,826	95,590
Contracted services	16,782	69,478	86,260
Professional services	47,526	29,895	77,421
Computer software	58,838	16,677	75,515
Insurance	62,652	9,506	72,158
Advertising	6,156	52,378	58,534
Miscellaneous	30,449	397	30,846
Dues and memberships	14,023	9,737	23,760
Equipment purchases	8,851	14,644	23,495
Real estate taxes	19,502	-	19,502
Reproduction expense	11,845	2,928	14,773
Parent activity	11,343	-	11,343
Postage	9,922	1,198	11,120
Internet	7,173	477	7,650
Interest	-	4,484	4,484
Bank fees	-	3,399	3,399
Field trips	1,540	-	1,540
Participant development	-	-	-
	<u>\$ 10,601,435</u>	<u>\$ 1,135,800</u>	<u>\$ 11,737,235</u>

Community Progress Council, Inc.

Schedule of Functional Expenses - by Natural Classification (continued)

	Year Ended June 30, 2016		
		Supporting Services	
	Program and Related Services	Management and General	Totals
Salaries and wages	\$ 6,033,153	\$ 610,855	\$ 6,644,008
Employee benefits and payroll taxes	1,789,086	132,017	1,921,103
Rent	406,253	32,788	439,041
Specific assistance	513,931	-	513,931
Food	177,757	3,364	181,121
Utilities	191,349	6,316	197,665
Staff development	126,381	16,279	142,660
Supplies	354,912	9,451	364,363
Enrollment costs	153,609	-	153,609
Classroom supplies	123,085	-	123,085
Transportation	112,295	5,015	117,310
Depreciation	124,175	-	124,175
Repairs and maintenance	83,595	14,036	97,631
Contracted services	33,533	145,272	178,805
Professional services	40,572	33,406	73,978
Computer software	35,030	10,983	46,013
Insurance	65,104	7,226	72,330
Advertising	12,956	34,935	47,891
Miscellaneous	6,315	1,340	7,655
Dues and memberships	7,395	10,234	17,629
Equipment purchases	14,583	-	14,583
Real estate taxes	19,424	25	19,449
Reproduction expense	12,327	3,254	15,581
Parent activity	42,003	-	42,003
Postage	12,113	1,056	13,169
Internet	6,343	630	6,973
Interest	12,302	-	12,302
Bank fees	15	4,129	4,144
Field trips	1,360	-	1,360
Participant development	1,200	-	1,200
	<u>\$ 10,512,156</u>	<u>\$ 1,082,611</u>	<u>\$ 11,594,767</u>

Community Progress Council, Inc.

Statement of Cash Flows

	Years Ended June 30,	
	2017	2016
Cash Flows from Operating Activities		
Changes in unrestricted net assets	\$ 92,635	\$ 51,143
Adjustments to reconcile changes in unrestricted net assets to net cash provided by (used in) operating activities		
Depreciation	108,615	124,175
Loss on disposal of property and equipment	1,350	-
(Increase) decrease in assets		
Accounts receivable	447,737	(441,511)
Prepaid expenses	85,303	(73,124)
Increase (decrease) in liabilities		
Accounts payable	(43,820)	78,673
Refundable advances	(10,941)	20,864
Payroll taxes withheld and accrued	13,148	(111,820)
Security deposits payable	-	(876)
Net Cash Provided by (Used in) Operating Activities	694,027	(352,476)
Cash Flows Used in Investing Activities		
Capital expenditures	(82,148)	(38,981)
Cash Flows Provided by (Used in) Financing Activities		
Net change in line of credit	(611,979)	391,126
Net Decrease in Cash	(100)	(331)
Cash at Beginning of Year	320	651
Cash at End of Year	\$ 220	\$ 320
Supplementary Cash Flows Information		
Interest paid	\$ 4,484	\$ 12,302

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 - Nature of Operations

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

Note 2 - Summary of Significant Accounting Policies

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

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

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

Cash and Cash Equivalents

The Council considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

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

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

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

In some cases, the government will fund fixed asset purchases to be used in conjunction with government-funded programs. These fixed assets are capitalized at cost and depreciated using the straight-line method over the estimated useful life. The government could require that these assets be returned to them at the cessation of the program or denial of a contract up for renewal. The net book value of assets purchased in this manner was \$216,385 and \$292,858 at June 30, 2017 and 2016, respectively. Repayment of these costs is not anticipated by the Council.

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

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and discount rates reflecting varying degrees of perceived risk. The management of the Council concluded that no impairment adjustments were required during the years ended June 30, 2017 and 2016.

Net Assets

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be fulfilled by actions of the Council pursuant to those stipulations or that expire by the passage of time. The Council currently has no temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Council. The Council currently has no permanently restricted net assets.

Revenue Recognition

Certain grant revenue is deemed to be in respect of exchange transactions classified as unrestricted revenue or refundable advances, as appropriate, when received or receivable. Such grant revenue is not deemed to be a contribution, since the proceeds thereof are used to pursue objectives of the grantor.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

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. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Council reports the support as unrestricted.

In-Kind Contributions

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

During the years ended June 30, 2017 and 2016, a substantial number of individual volunteers and businesses have donated significant amounts of time to the Council's programs and administrative functions. These services do not meet the criteria for recognition as contributed services, and are not reflected on the accompanying financial statements.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs amounted to \$58,534 and \$47,891 for the years ended June 30, 2017 and 2016, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services include management and general and fundraising expenses. Management estimates fundraising expenses to be insignificant and therefore fundraising expenses have not been segregated from management and general expenses.

Recent Accounting Pronouncements

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

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The guidance is effective for fiscal years beginning after December 15, 2019.

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entities. The standard improves current requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flow from operations. This guidance is effective for fiscal years beginning after December 15, 2017.

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

Subsequent Events

Management of the Council has evaluated subsequent events through January 22, 2018, which is the date the financial statements were available to be issued. No material events subsequent to June 30, 2017 were noted.

Note 3 - Tax-Exempt Status

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Council, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Council had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Council is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before June 30, 2014.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Note 4 - Concentration of Credit Risk

At times during the years ended June 30, 2017 and 2016, the Council's cash balances may have exceeded the federally insured limit of \$250,000.

The Council's contracts are generally with government agencies, and a majority of its revenue is derived from these sources. For the years ended June 30, 2017 and 2016, 70% and 68%, respectively, of total revenue recognized by the Council is attributed to federal monetary sources.

Note 5 - Property and Equipment

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

	<u>Useful Lives</u>	<u>2017</u>	<u>2016</u>
Equipment	10 years	\$ 1,455,120	\$ 1,308,154
Buildings and improvements	10 - 40 years	239,384	328,554
Land *		6,309	6,309
		<u>1,700,813</u>	<u>1,643,017</u>
Accumulated depreciation		<u>(1,256,527)</u>	<u>(1,170,914)</u>
		<u>\$ 444,286</u>	<u>\$ 472,103</u>

* Not depreciated

Depreciation for the years ended June 30, 2017 and 2016 amounted to \$108,615 and \$124,175, respectively.

Note 6 - Line of Credit

The Council has a revolving line of credit with York Traditions Bank, which provides for borrowings up to \$1,200,000. Interest is charged at the highest prime rate published in the Wall Street Journal, which was 4.25% and 3.50% as of June 30, 2017 and 2016, respectively. The outstanding balance under this line of credit was \$0- and \$611,979 as of June 30, 2017 and 2016, respectively.

The Council also has a contingent line of credit with York Traditions Bank, which provides for borrowings up to \$2,000,000. Interest is charged at the bank's prime rate, which was 4.25% and 3.50% as of June 30, 2017 and 2016, respectively. There was no outstanding balance under this line of credit as of June 30, 2017 or 2016.

For the years ended June 30, 2017 and 2016, interest expense amounted to \$4,484 and \$12,302, respectively.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Note 7 - Refundable Advances

Refundable advances consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Pennsylvania Department of Human Services - Work Ready program	\$ 71,659	\$ 1,995
Pennsylvania Department of Education - Head Start program	32,879	33,722
Other deposits or advances	27,987	29,631
Corporation for National and Community Services - Foster Grandparent program	7,887	-
Pennsylvania Department of Education - Child and Adult Care Food Program	-	28,228
Pennsylvania Department of Community and Economic Development - Community Centers	-	57,777
	<u>\$ 140,412</u>	<u>\$ 151,353</u>

Note 8 - In-kind Contributions

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

	<u>2017</u>	<u>2016</u>
Rent	\$ 191,439	\$ 166,226
Supplies	53,822	53,592
Professional services	39,916	40,572
	<u>\$ 285,177</u>	<u>\$ 260,390</u>

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

	<u>2017</u>	<u>2016</u>
Head Start program	\$ 256,499	\$ 231,307
Foster Grandparent's program	28,678	29,083
	<u>\$ 285,177</u>	<u>\$ 260,390</u>

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Note 9 - Indirect Cost Rate

Indirect administrative costs are allocated to all programs utilizing either a provisional or predetermined rate. This rate is applied to all programs using a basis of direct salaries and wages. This method of allocating costs 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 administered by the Council. This system does not increase common or shared costs, but provides for their identification and equitable distribution on a Council-wide basis rather than through the negotiation of costs as part of individual grant and contract negotiations.

The Council received a final indirect cost rate of 8.60% of salaries and benefits for the period July 1, 2015 to June 30, 2016 and a provisional indirect cost rate of 8.60% of salaries and benefits, beginning July 1, 2016 through June 30, 2018. This rate is determined by the U.S. Department of Health and Human Services.

The provisional rate was calculated using the average of the final indirect cost rate for the year ended June 30, 2016 and the expected indirect cost rate for the year ended June 30, 2017. The indirect cost rate for the year ended June 30, 2017 dropped significantly due to additional grant monies received. Grant funding was higher during the year ended June 30, 2017 as a result of a delay in receipt of certain funding during the year ended June 30, 2016 due to the budget impasse in the Commonwealth of Pennsylvania. Additionally, anticipated management and general expenses were lower than expected in 2017 due to vacancies in key positions.

The Council's calculation of the actual indirect cost rate is as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Total management and general expenses	\$ 1,135,800	\$ 1,082,611
Grant revenue	<u>(715,061)</u>	<u>(274,726)</u>
Administrative Costs to be Recovered	<u>\$ 420,739</u>	<u>\$ 807,885</u>
Total salaries and wages and employee benefits and payroll taxes	\$ 8,862,454	\$ 8,565,111
Administrative salaries and wages and employee benefits and payroll taxes	<u>(806,908)</u>	<u>(742,872)</u>
Direct Salaries and Wages and Employee Benefits and Payroll Taxes	<u>\$ 8,055,546</u>	<u>\$ 7,822,239</u>
Administrative costs to be recovered	<u>\$ 420,739</u>	<u>\$ 807,885</u>
Direct salaries and wages and employee benefits and payroll taxes	<u>\$ 8,055,546</u>	<u>\$ 7,822,239</u>
Actual Indirect Cost Rate	5.2%	10.3%

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Note 10 - Contingent Liabilities

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

Note 11 - Retirement Plan

The Council sponsors a 401(k) defined contribution plan. Employees who meet certain eligibility requirements are eligible to participate in the plan. Under the terms of the plan, eligible employees are entitled to contribute up to the maximum amount permitted by law. The Council makes matching contributions equal to 100% of an employee's salary deferral, up to a maximum of 3% of their eligible compensation. Additionally, at the discretion of the Board of Directors, the Council may make a discretionary profit sharing contribution to the plan. Employer contributions to the plan for the years ended June 30, 2017 and 2016 amounted to \$155,941 and \$123,040, respectively.

Note 12 - Operating Leases

The Council has various operating lease agreements with local schools and churches for Head Start facilities, which require either no or significantly reduced rent payments. The fair market value of the facilities has been recorded by the Council in the statement of activities as an in-kind contribution (see Note 8). The leases renew annually, unless otherwise provided.

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

Future minimum lease payments, assuming no changes in current terms, consist of the following for the five years ending June 30, 2022; and thereafter:

2018	\$	125,946
2019		106,799
2020		75,393
2021		12,600
2022		12,900
Thereafter		<u>26,100</u>
	\$	<u>359,738</u>

Total rent expense for the years ended June 30, 2017 and 2016 amounted to \$477,505 and \$439,041, respectively.

Note 13 - Reclassifications

Certain information in the 2016 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2017 financial statements.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Progress Council, Inc. (Council), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, changes in unrestricted net assets, functional expenses - by natural classification, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2018.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

RKL LLP

January 22, 2018
York, Pennsylvania



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

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

Report on Compliance for Each Major Federal Program

We have audited Community Progress Council, Inc.'s (Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2017. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the Council as of and for the year ended June 30, 2017, and have issued our report thereon, dated January 22, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RKL LLP

January 22, 2018
York, Pennsylvania

Community Progress Council, Inc.

Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA#	Pass-Through Grantor's #	Year Ended June 30, 2017			
			Accrued (Deferred) Revenue as of July 1, 2016	Federal Funds Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2017
U.S. Department of Agriculture						
Pass Through Programs from Pennsylvania Department of Health WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	4100067465	\$ 146,884	\$ 1,397,189	\$ 1,426,165	\$ 175,860
Pennsylvania Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	4100072643	-	6,743	6,743	-
Pennsylvania Department of Education Child and Adult Care Food Program	10.558	300671380	5,972	322,417	356,009	39,564
Total U.S. Department of Agriculture			152,856	1,726,349	1,788,917	215,424
U.S. Department of Housing and Urban Development						
Community Development Block Grants (CDBG) - Entitlement Grants Cluster						
Pass Through Programs from City of York Community Development Block Grants/Entitlement Grants	14.218	VN-0002048	30,634	56,884	46,664	20,414
York County Planning Commission Community Development Block Grants/Entitlement Grants	14.218	45192075	6,881	9,299	8,017	5,599
Community Development Block Grants/Entitlement Grants	14.218	45102164	6,017	25,000	18,983	-
Community Development Block Grants/Entitlement Grants	14.218	45102165	9,001	30,795	28,404	6,610
Community Development Block Grants/Entitlement Grants	14.218	45102166	-	33,832	41,262	7,430
Total Community Development Block Grants (CDBG) - Entitlement Grants Cluster			52,533	155,810	143,330	40,053
Other Programs						
Pass Through Programs from York County Planning Commission Emergency Solutions Grant Program	14.231	45792099	431	867	436	-
Emergency Solutions Grant Program	14.231	45792100	488	488	-	-
Emergency Solutions Grant Program	14.231	45782047	2,294	2,294	-	-
Emergency Solutions Grant Program	14.231	45702182	51,879	57,987	15,145	9,037
Continuum of Care Program	14.267	5210624	980	11,891	58,168	47,257
Continuum of Care Program	14.267	5210625	1,294	1,294	-	-
Continuum of Care Program	14.267	5210626	1,458	1,458	-	-
Continuum of Care Program	14.267	5210627	-	-	252	252
Continuum of Care Program	14.267	5210652	-	-	1,497	1,497
Total Other Programs			58,824	76,279	75,498	58,043
Total U.S. Department of Housing and Urban Development			111,357	232,089	218,828	98,096

See accompanying notes to Schedule of Expenditures of Federal Awards.

Community Progress Council, Inc.

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA#	Pass-Through Grantor's #	Year Ended June 30, 2017			Accrued (Deferred) Revenue as of June 30, 2017
			Accrued (Deferred) Revenue as of July 1, 2016	Federal Funds Received	Expenditures	
U.S. Department of Health and Human Services						
Temporary Assistance for Needy Families (TANF) Cluster						
Pass Through Programs from Pennsylvania Department of Human Services Temporary Assistance for Needy Families	93.558	4100064763	(1,995)	276,007	279,528	1,526
Total Temporary Assistance for Needy Families (TANF) Cluster			<u>(1,995)</u>	<u>276,007</u>	<u>279,528</u>	<u>1,526</u>
Other Programs						
Pass Through Programs from Pennsylvania Department of Community and Economic Development Community Services Block Grant	93.569	C000057307	172,105	719,276	758,818	211,647
Head Start	93.600	03CH339903	22,851	23,062	211	-
Head Start	93.600	03CH339904	94,620	3,449,277	3,374,589	19,932
Head Start	93.600	03CH339905	-	126,590	150,790	24,200
Early Head Start	93.600	03CH344102	34,254	48,620	14,366	-
Early Head Start	93.600	03CH344103	49,855	1,387,669	1,345,939	8,125
Early Head Start	93.600	03CH344104	-	83,746	102,272	18,526
Total Other Programs			<u>373,685</u>	<u>5,838,240</u>	<u>5,746,985</u>	<u>282,430</u>
Total U.S. Department of Health and Human Services			<u>371,690</u>	<u>6,114,247</u>	<u>6,026,513</u>	<u>283,956</u>
Corporation for National and Community Services						
Foster Grandparent Program/Senior Companion Cluster						
Foster Grandparent Program	94.011	13SFAPA002	41,298	49,185	-	(7,887)
Foster Grandparent Program	94.011	16SFAPA004	-	204,135	234,803	30,668
Total Foster Grandparent Program/Senior Companion Cluster			<u>41,298</u>	<u>253,320</u>	<u>234,803</u>	<u>22,781</u>
Total Corporation for National and Community Services			<u>41,298</u>	<u>253,320</u>	<u>234,803</u>	<u>22,781</u>
Total Expenditures of Federal Awards			<u>\$ 677,201</u>	<u>\$ 8,326,005</u>	<u>\$ 8,269,061</u>	<u>\$ 620,257</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Community Progress Council, Inc.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Progress Council, Inc. (Council) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in unrestricted net assets, or cash flows of the Council.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

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

Community Progress Council, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of Major Federal Programs

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

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee yes no

Community Progress Council, Inc.

Schedule of Findings and Questioned Costs (continued)

June 30, 2017

Section II - Financial Statement Findings

No findings are reported.

Section III - Federal Award Findings and Questioned Costs

No findings are reported.

Community Progress Council, Inc.

Case Management Program - Contract 061500-5200-358-978

Schedule of Budget Verses Actual Costs

	Year Ended June 30, 2017		
	Budget	Actual	Over (Under)
Revenue			
York County Human Services Department	\$ 112,865	\$ 97,578	\$ (15,287)
Expenditures			
Personnel expenses			
Salaries	69,000	59,993	(9,007)
Fringe benefits	22,770	18,700	(4,070)
Employee training	1,065	30	(1,035)
	<u>92,835</u>	<u>78,723</u>	<u>(14,112)</u>
Operating expenses			
Occupancy	7,646	8,980	1,334
Communication	1,775	1,507	(268)
Supplies	466	614	148
Staff travel	630	33	(597)
Miscellaneous	2,171	1,426	(745)
Indirect costs	7,342	6,295	(1,047)
	<u>20,030</u>	<u>18,855</u>	<u>(1,175)</u>
Total Expenditures	<u>112,865</u>	<u>97,578</u>	<u>(15,287)</u>
Excess of Revenue over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Community Progress Council, Inc.

Homeless Assistance Program - Contract 061500-5200-451-978

Schedule of Budget Verses Actual Costs

	Year Ended June 30, 2017		
	Budget	Actual	Over (Under)
Revenue			
York County Human Services Department	\$ 143,449	\$ 127,019	\$ (16,430)
Expenditures			
Personnel expenses			
Salaries	86,000	76,603	(9,397)
Fringe benefits	28,380	25,640	(2,740)
Employee training	2,130	30	(2,100)
	<u>116,510</u>	<u>102,273</u>	<u>(14,237)</u>
Operating expenses			
Occupancy	10,412	11,460	1,048
Communication	2,455	2,318	(137)
Supplies	1,410	943	(467)
Staff travel	812	178	(634)
Miscellaneous	2,700	1,668	(1,032)
Indirect costs	9,150	8,179	(971)
	<u>26,939</u>	<u>24,746</u>	<u>(2,193)</u>
Total Expenditures	<u>143,449</u>	<u>127,019</u>	<u>(16,430)</u>
Excess of Revenue over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>