



Kennett Area Community Service

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**



**UMBREIT  
WILECZEK**  
& ASSOCIATES, PC  
CERTIFIED PUBLIC ACCOUNTANTS

Timothy D. Umbreit, CPA, CGMA  
Kathleen A. Wileczek, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Kennett Area Community Service  
Kennett Square, Pennsylvania

We have audited the accompanying financial statements of Kennett Area Community Service (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 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 Kennett Area Community Service as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2019, on our consideration of Kennett Area Community Service'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 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 an audit performed in accordance with Government Auditing Standards in considering Kennett Area Community Service's internal control over financial reporting and compliance.

*Umbreit, Wilczek & Associates, P.C.*

Kennett Square, PA  
January 21, 2019

## KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 152,883	\$ 125,572
Gift cards on hand	9,391	9,547
Inventory	16,038	11,838
Grants receivable	47,038	22,790
Loans receivable, net	3,182	-
Promises to give	95,970	89,385
Prepaid expenses	4,802	12,273
<b>TOTAL CURRENT ASSETS</b>	<u>329,304</u>	<u>271,405</u>
<b>FIXED ASSETS</b>		
Building	1,096,344	1,095,176
Equipment and vehicles	87,665	78,805
Accumulated depreciation	(240,571)	(207,076)
<b>TOTAL FIXED ASSETS</b>	<u>943,438</u>	<u>966,905</u>
Investments	<u>101,298</u>	<u>74,341</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,374,040</u>	<u>\$ 1,312,651</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 17,643	\$ 12,576
Accrued expenses	13,529	9,391
Deferred revenue	18,098	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>49,270</u>	<u>21,967</u>
<b>LONG-TERM LIABILITES</b>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITES</b>	<u>49,270</u>	<u>21,967</u>
<b>NET ASSETS</b>		
Unrestricted	1,218,800	1,186,299
Temporarily restricted	105,970	104,385
<b>TOTAL NET ASSETS</b>	<u>1,324,770</u>	<u>1,290,684</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,374,040</u>	<u>\$ 1,312,651</u>

See Independent Auditors' Report and Notes to Financial Statements

## KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	Unrestricted	Temporarily Restricted	2018 Total	Unrestricted	Temporarily Restricted	2017 Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 464,209	\$ 145,460	\$ 609,669	\$ 372,803	\$ 155,580	\$ 528,383
In-kind donations	915,367	-	915,367	929,296	-	929,296
Special events	66,903	-	66,903	60,200	-	60,200
Less: direct costs	(9,212)	-	(9,212)	(9,778)	-	(9,778)
Net special event revenue	57,691	-	57,691	50,422	-	50,422
Interest income	108	-	108	217	-	217
Investment income	7,018	-	7,018	1,709	-	1,709
Miscellaneous income	4,446	-	4,446	3,932	-	3,932
Released from restrictions	143,875	(143,875)	-	145,000	(145,000)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,592,714</u>	<u>1,585</u>	<u>1,594,299</u>	<u>1,503,379</u>	<u>10,580</u>	<u>1,513,959</u>
<b>EXPENSES</b>						
Program services	1,482,574	-	1,482,574	1,464,170	-	1,464,170
Supporting services						
Management and general	51,998	-	51,998	50,865	-	50,865
Fundraising	25,641	-	25,641	14,292	-	14,292
<b>TOTAL EXPENSES</b>	<u>1,560,213</u>	<u>-</u>	<u>1,560,213</u>	<u>1,529,327</u>	<u>-</u>	<u>1,529,327</u>
<b>CHANGE IN NET ASSETS</b>	32,501	1,585	34,086	(25,948)	10,580	(15,368)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,186,299</u>	<u>104,385</u>	<u>1,290,684</u>	<u>1,212,247</u>	<u>93,805</u>	<u>1,306,052</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,218,800</u>	<u>\$ 105,970</u>	<u>\$ 1,324,770</u>	<u>\$ 1,186,299</u>	<u>\$ 104,385</u>	<u>\$ 1,290,684</u>

See Independent Auditors' Report and Notes to Financial Statements

## KENNETT AREA COMMUNITY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Services			Total Program Services	Management and General	Fundraising	Total Expenses
	Food Cupboard	Emergency Assistance	Resource Building				
Aid to families	\$ -	\$ 112,089	\$ -	\$ 112,089	\$ -	\$ -	\$ 112,089
Consulting	244	243	-	487	-	2,201	2,688
Depreciation	19,533	11,216	610	31,359	1,526	610	33,495
Donated food	915,367	-	-	915,367	-	-	915,367
Employee benefit	5,580	10,129	4,356	20,065	5,896	879	26,840
Insurance	6,291	8,095	474	14,860	-	-	14,860
Maintenance	5,542	11,194	4,459	21,195	1,140	456	22,791
Office expense	10,682	8,413	918	20,013	1,870	-	21,883
Outreach and marketing	4,965	4,127	1,240	10,332	-	8,972	19,304
Payroll taxes	5,601	11,313	4,506	21,420	1,530	931	23,881
Professional fees	-	-	-	-	20,393	-	20,393
Program expenses	-	82	10,250	10,332	-	-	10,332
Purchased food	21,948	-	-	21,948	-	-	21,948
Salaries	67,359	136,057	54,189	257,605	18,399	11,202	287,206
Tax and licenses	245	225	-	470	-	-	470
Telephone	1,515	3,060	1,219	5,794	312	125	6,231
Travel	4,225	2,393	299	6,917	270	-	7,187
Utilities	3,222	6,507	2,592	12,321	662	265	13,248
	<u>\$ 1,072,319</u>	<u>\$ 325,143</u>	<u>\$ 85,112</u>	<u>\$ 1,482,574</u>	<u>\$ 51,998</u>	<u>\$ 25,641</u>	<u>\$ 1,560,213</u>

## KENNETT AREA COMMUNITY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Services			Total Program Services	Management and General	Fundraising	Total Expenses
	Food Cupboard	Emergency Assistance	Resource Building				
Aid to families	\$ -	\$ 122,107	\$ -	\$ 122,107	\$ -	\$ -	\$ 122,107
Consulting	1,360	1,361	-	2,721	-	3,539	6,260
Depreciation	18,591	13,173	581	32,345	1,452	581	34,378
Donated food	926,026	-	-	926,026	-	-	926,026
Employee benefit	6,157	9,512	1,060	16,729	2,148	338	19,215
Insurance	7,723	5,411	-	13,134	-	-	13,134
Maintenance	13,276	18,948	1,852	34,076	1,832	733	36,641
Office expense	8,857	3,759	137	12,753	2,023	-	14,776
Outreach and marketing	5,319	1,778	837	7,934	-	5,003	12,937
Payroll taxes	6,315	9,013	881	16,209	1,854	273	18,336
Professional fees	-	-	-	-	17,258	-	17,258
Program expenses	69	3,997	10,421	14,487	-	-	14,487
Purchased food	39,335	-	-	39,335	-	-	39,335
Salaries	79,415	113,344	11,080	203,839	23,308	3,429	230,576
Tax and licenses	235	225	-	460	-	-	460
Telephone	2,258	3,223	315	5,796	312	125	6,233
Travel	2,942	487	187	3,616	-	-	3,616
Utilities	4,910	7,008	685	12,603	678	271	13,552
	<u>\$ 1,122,788</u>	<u>\$ 313,346</u>	<u>\$ 28,036</u>	<u>\$ 1,464,170</u>	<u>\$ 50,865</u>	<u>\$ 14,292</u>	<u>\$ 1,529,327</u>

**KENNETT AREA COMMUNITY SERVICE**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 34,086	\$ (15,368)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	33,495	34,378
Unrealized gain	(5,042)	-
(Increase) decrease in operating assets:		
Gift cards on hand	156	(5,471)
Inventory	(4,200)	5,664
Grants receivable	(24,248)	(7,017)
Loans receivable	(3,182)	-
Promises to give	(6,585)	(5,580)
Prepaid expenses	7,471	(766)
Increase (decrease) in operating liabilities:		
Accounts payable	5,067	(3,017)
Accrued expenses	4,138	(2,504)
Deferred revenue	18,098	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>59,254</b>	<b>319</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(8,860)	-
Purchase of building and renovations	(1,168)	(14,169)
Proceeds from sale of investments	30	-
Purchase of investments	(21,945)	(74,341)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(31,943)</b>	<b>(88,510)</b>
<b>NET DECREASE IN CASH</b>	27,311	(88,191)
<b>CASH - BEGINNING OF YEAR</b>	125,572	213,763
<b>CASH - END OF YEAR</b>	<b>\$ 152,883</b>	<b>\$ 125,572</b>

See Independent Auditors' Report and Notes to Financial Statements



**KENNETT AREA COMMUNITY SERVICE****NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING  
POLICIES****Nature of Organization:**

Kennett Area Community Service is a Pennsylvania nonprofit organization that provides food and financial assistance to needy families in the local community. The Organization receives cash and non-cash contributions as well as grants from local organizations, governments, and individuals.

**Program Services:**

The Organization has established programs designed to provide a lifeline for people who need assistance.

Kennett Food Cupboard – provides food to families in accordance with the size of the family, once per month.

Emergency Assistance Program – offers occasional financial assistance for rent, utility bills, and other basic living expenses.

Resource Building – offering Bridges out of Poverty and Getting Ahead workshops that explore the effect poverty has on individuals, families and the community and ways to reduce poverty in a comprehensive way.

Resource Center – provides laundry and bathing facilities for use by clients experiencing homelessness. Additionally, provides office space and conference rooms for use by outside agencies servicing the Organization's clients.

Other Special Food Projects – generally provides food via giveaways or delivery either monthly or at certain times during the year.

**The significant accounting policies are as follows:****Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**KENNETT AREA COMMUNITY SERVICE****NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING  
POLICIES (Cont'd)**Financial Statement Presentation

As required by the Financial Statements of Not-for-Profit Entities Topic of the FASB ASC, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based upon the existence or absence of donor-imposed restrictions. As of September 30, 2018 and 2017, there were no permanently restricted net assets; therefore, this class of assets has been omitted from the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of one year or less to be cash equivalents.

Inventory

Inventory consists of food received from various government agencies, public donations, and direct purchases. Inventory at September 30, 2018 and 2017 is valued at \$1.68 and \$1.73 per pound, respectively. These values are based on a study performed by Feeding America to determine the approximate average wholesale value of one pound of product at the national level. The values are reported in Feeding America's June 30, 2018 and 2017 independently audited financial statements and are available on their website.

Grants Receivable

Grants receivable consists of monies awarded by the Chester County Department of Community Development to the Organization. The grant supports the Organization's efforts in homeless prevention and emergency services for the local community. Amounts recognized in the financial statements represent outstanding amounts due for cost reimbursement forms submitted by the Organization. The Organization considers the grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Loans Receivable

Loans receivable consist of monies loaned to individuals who typically have difficulty obtaining a personal loan. The funds can be used for tuition, car repairs, appliances, vehicle purchase, rent or utilities.

Provision for losses on loans receivable is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Organization determines that payments will not be received. Any subsequent

**KENNETT AREA COMMUNITY SERVICE****NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING  
POLICIES (Cont'd)**Loans Receivable (Cont'd)

receipts are credited to the allowance. As of September 30, 2018, the Organization estimates that \$1,000 in reserve for losses on loans receivable is required. As of September 30, 2017, there was no loans receivable.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period in which notification of such promise is received. Unconditional promises to give due in one year or less are recorded at their net realizable value. Unconditional promises to give due in more than one year are recorded at fair value in the year promised using present value techniques. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Promises to give are monies awarded by the United Way in support of the Organization's efforts surrounding both emergency service and the food cupboard. Amounts recognized in the financial statements represent amounts due from United Way on the monies granted. Payments on United Way grants are usually remitted on a quarterly basis.

Investments

As required by the Investment Topic of the FASB Accounting Standards Codification No. 958-320, ("FASB ASC 958-320"), the Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Management fees on investments are recorded as a reduction to investment income. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Organization's investments are recorded at fair value and re-measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Land, Building, and Equipment

Property and equipment are capitalized at cost. Acquisitions in excess of \$1,000 are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets of 5 to 39 years

**KENNETT AREA COMMUNITY SERVICE****NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING  
POLICIES (Cont'd)**Deferred Revenues

Deferred revenues consist of grant funds received from the Constellation Network for funding of Getting Ahead workshops to be held in the fall of 2018. The grant funds are refundable if the classes are canceled or the expenses related to the classes do not meet or exceed the amount of the grant. Revenues related to this grant are recognized when costs are incurred for corresponding classes.

Contributions

As required by the Financial Statements of Not-for-Profit Entities Revenue Recognition Topic of the FASB ASC, the Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. The Organization received no permanently restricted contributions for years ended September 30, 2018 and 2017.

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. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions restricted by donor are reported as an increase in unrestricted net assets if the restrictions are met in the reporting period in which the contribution is recognized.

Contributions In-Kind

Donated food for the years ended September 30, 2018 and 2017 was valued at \$1.68 and \$1.73 per pound, respectively. These values are based on a study performed by Feeding America to determine the approximate average wholesale value of one pound of product at the national level. The values are reported in Feeding America's June 30, 2018 and 2017 independently audited financial statements and are available on their website.

Food is donated by local organizations, local governments, and the general public. Contributed food cannot be easily calculated at the time of receipt and is recorded as income when distributed, which approximates the contributed value.

Donated equipment and other goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair

**KENNETT AREA COMMUNITY SERVICE****NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING  
POLICIES (Cont'd)**Contributions In-Kind (Cont'd)

value at the time the services are rendered. Other volunteer services are generally not recorded.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in operating the food cupboard. The estimated value of these services for the years ended September 30, 2018 and 2017 amounts to \$163,865 and \$159,063, respectively. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied.

Revenue Recognition

Contributions, bequests, and gifts are recognized on receipt and formal acceptance by the Organization. Revenue from special events and other functions is recognized as earned having applicable costs concurrently recognized. Interest and investment income is recognized as earned.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the years ended September 30, 2018 and 2017 totaled \$19,304 and \$12,937, respectively.

Use of Estimates

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

Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition.

## KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING  
POLICIES (Cont'd)**Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Date of Management Approval

As required by the Subsequent Events Topic of the FASB ASC, the Organization has evaluated those events and transactions that occurred after the statement of financial position date of September 30, 2018 through January 21, 2019, the date the financial statements were available to be issued and determined there were no other items to be disclosed.

**NOTE 2 - CONCENTRATIONS**

The Organization maintains cash balances at three financial institutions. The Federal Deposit Insurance Corporation insures cash balances up to \$250,000. In the normal course of business, the Organization may have deposits that exceed the insured balance. There were no uninsured balances at September 30, 2018 and 2017.

**NOTE 3 – PROMISES TO GIVE**

Unconditional promises to give for the years ended September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 95,970	\$ 89,385
Receivable in one to ten years	-	-
	<u>\$ 95,970</u>	<u>\$ 89,385</u>

**KENNETT AREA COMMUNITY SERVICE**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017

**NOTE 4 – FAIR VALUE MEASUREMENTS**

Accounting standards require that assets that are measured at fair value be categorized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 – Unadjusted quoted market prices for similar assets and liabilities in active markets (other than those included in Level 1), which are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- Level 3 – Unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

The fair value of mutual funds, publicly traded equity securities, and government obligations are included in Level 1 and are based on quoted market prices of identical securities.

The following table presents assets (Level 1) that are measured at fair value on a recurring basis at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ <u>101,298</u>	\$ <u>74,341</u>

Promises to give fall under Level 3 in the fair value hierarchy. Although no discount was made to present value (see Note 3), the recorded amounts approximate fair value and are based on unobservable inputs, including estimated future payment dates and management's past experience collecting similar pledges. There were no changes to valuation techniques used during the fiscal year ended September 30, 2018. As of September 30, 2018 and 2017, promises to give are valued at \$95,970 and \$89,385, respectively.

**KENNETT AREA COMMUNITY SERVICE**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017

**NOTE 4 – FAIR VALUE MEASUREMENTS (Cont'd)**

Changes in fair value of the Organization's unconditional promises to give, net present value (Level 3 assets) are summarized as follows:

	<u>2018</u>	<u>2017</u>
BALANCE AT BEGINNING OF YEAR	\$ 89,385	\$ 83,805
New unconditional promises to give	127,960	118,680
Unconditional promises to give collected	<u>(121,375)</u>	<u>(113,100)</u>
 BALANCE AT END OF YEAR	 <u>\$ 95,970</u>	 <u>\$ 89,385</u>

**NOTE 5 – INVESTMENTS**

Investments in marketable securities stated at fair value consist of the following at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ <u>101,298</u>	\$ <u>74,341</u>

The following summarizes investment income for the years ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 1,976	\$ 489
Net unrealized gains (losses)	<u>5,042</u>	<u>1,220</u>
	<u>\$ 7,018</u>	<u>\$ 1,709</u>

**NOTE 6 – FIXED ASSETS**

Building and equipment as of September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 28,938	\$ 20,078
Vehicle	58,727	58,727
Building	<u>1,096,344</u>	<u>1,095,176</u>
	1,184,009	1,173,981
Less: accumulated depreciation	<u>(240,571)</u>	<u>(207,076)</u>
	<u>\$ 943,438</u>	<u>\$ 966,905</u>

Depreciation expense for the years ended September 30, 2018 and 2017 was \$33,495 and \$34,378, respectively.



**KENNETT AREA COMMUNITY SERVICE**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017

**NOTE 7 – CONTRIBUTIONS IN-KIND**

The estimated fair value of donated food, supplies and expert services are recorded as contributions. During the years ended September 30, 2018 and 2017, the following in-kind contributions were received and recorded by the Organization:

	<u>2018</u>	<u>2017</u>
Food	\$ 915,367	\$ 926,026
Repairs and maintenance	-	2,940
Website maintenance	-	<u>330</u>
<b>TOTAL</b>	<u>\$ 915,367</u>	<u>\$ 929,296</u>

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted funds as of September 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Emergency service	\$ 68,400	\$ 62,430
Food cupboard	27,570	25,455
Getting Ahead program	10,000	11,000
Building and renovations	-	4,000
Time restricted	-	<u>1,500</u>
Total temporarily restricted net assets	<u>\$ 105,970</u>	<u>\$ 104,385</u>

**NOTE 9 – RETIREMENT PLAN**

The Organization offers a defined contribution retirement plan which qualifies as a SIMPLE IRA. Eligible employees may contribute to the plan a portion of their annual salary through payroll deductions. All full-time employees are eligible to participate in the plan. All Organization contributions are fully vested. For the years ended September 30, 2018 and 2017, the Organization's contributions to the plan totaled \$5,127 and \$4,185, respectively.