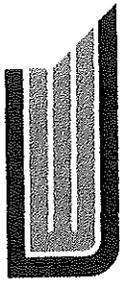




**FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**



**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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2020, 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, 2020

KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 140,053	\$ 152,883
Gift cards on hand	13,327	9,391
Inventory	26,123	16,038
Grants receivable	30,754	47,038
Loans receivable, net	5,441	3,182
Promises to give	87,405	95,970
Prepaid expenses	-	4,802
TOTAL CURRENT ASSETS	<u>303,103</u>	<u>329,304</u>
FIXED ASSETS		
Building	1,096,344	1,096,344
Equipment and vehicles	126,146	87,665
Accumulated depreciation	<u>(275,360)</u>	<u>(240,571)</u>
TOTAL FIXED ASSETS	<u>947,130</u>	<u>943,438</u>
Investments	<u>138,793</u>	<u>101,298</u>
TOTAL ASSETS	<u>\$ 1,389,026</u>	<u>\$ 1,374,040</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,599	\$ 17,643
Accrued expenses	21,651	13,529
Deferred revenue	-	18,098
TOTAL CURRENT LIABILITIES	<u>30,250</u>	<u>49,270</u>
TOTAL LIABILITIES	<u>30,250</u>	<u>49,270</u>
NET ASSETS		
Without donor restrictions	1,261,371	1,218,800
With donor restrictions	97,405	105,970
TOTAL NET ASSETS	<u>1,358,776</u>	<u>1,324,770</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,389,026</u>	<u>\$ 1,374,040</u>

See Independent Auditors' Report and Notes to Financial Statements

KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Without Donor Restrictions	With Donor Restrictions	2018 Total
SUPPORT AND REVENUE						
Contributions	\$ 592,191	\$ 126,540	\$ 718,731	\$ 464,209	\$ 145,460	\$ 609,669
In-kind donations	862,235	-	862,235	915,367	-	915,367
Special events	79,745	-	79,745	66,903	-	66,903
Less: direct costs	(8,530)	-	(8,530)	(9,212)	-	(9,212)
Net special event revenue	71,215	-	71,215	57,691	-	57,691
Interest income	245	-	245	108	-	108
Investment income	11,260	-	11,260	7,018	-	7,018
Miscellaneous income	3,084	-	3,084	4,446	-	4,446
Released from restrictions	135,105	(135,105)	-	143,875	(143,875)	-
TOTAL SUPPORT AND REVENUE	<u>1,675,335</u>	<u>(8,565)</u>	<u>1,666,770</u>	<u>1,592,714</u>	<u>1,585</u>	<u>1,594,299</u>
EXPENSES						
Program services	1,527,464	-	1,527,464	1,482,574	-	1,482,574
Supporting services						
Management and general	54,346	-	54,346	51,998	-	51,998
Fundraising	50,954	-	50,954	25,641	-	25,641
TOTAL EXPENSES	<u>1,632,764</u>	<u>-</u>	<u>1,632,764</u>	<u>1,560,213</u>	<u>-</u>	<u>1,560,213</u>
CHANGE IN NET ASSETS	42,571	(8,565)	34,006	32,501	1,585	34,086
NET ASSETS - BEGINNING OF YEAR	<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>
NET ASSETS - END OF YEAR	<u>\$ 1,261,371</u>	<u>\$ 97,405</u>	<u>\$ 1,358,776</u>	<u>\$ 1,218,800</u>	<u>\$ 105,970</u>	<u>\$ 1,324,770</u>

See Independent Auditors' Report and Notes to Financial Statements

KENNETT AREA COMMUNITY SERVICE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Services			Total Program Services	Management and General	Fundraising	Total Expenses
	Food Cupboard	Emergency Assistance	Resource Building				
Aid to families	\$ -	\$ 139,703	\$ -	\$ 139,703	\$ -	\$ -	\$ 139,703
Consulting	1,690	1,840	-	3,530	-	1,007	4,537
Depreciation	17,920	9,230	3,080	30,230	1,953	2,605	34,788
Donated food	862,235	-	-	862,235	-	-	862,235
Employee benefit	7,448	20,310	2,784	30,542	2,258	2,740	35,540
Insurance	9,509	8,189	1,201	18,899	-	-	18,899
Interest	-	-	-	-	1	-	1
Maintenance	6,284	17,138	2,349	25,771	1,798	2,397	29,966
Office expense	9,274	14,865	241	24,380	1,877	-	26,257
Outreach and marketing	4,518	5,707	2,399	12,624	-	11,453	24,077
Payroll taxes	6,215	16,948	2,323	25,486	1,884	2,286	29,656
Professional fees	-	-	-	-	21,219	-	21,219
Program expenses	-	-	14,551	14,551	-	-	14,551
Purchased food	15,165	-	-	15,165	-	-	15,165
Salaries	73,342	200,013	27,417	300,772	22,240	26,979	349,991
Tax and licenses	316	225	-	541	-	-	541
Telephone	1,348	3,676	504	5,528	386	514	6,428
Travel	3,367	2,372	1,311	7,050	-	-	7,050
Utilities	2,250	7,254	953	10,457	730	973	12,160
	<u>\$ 1,020,881</u>	<u>\$ 447,470</u>	<u>\$ 59,113</u>	<u>\$ 1,527,464</u>	<u>\$ 54,346</u>	<u>\$ 50,954</u>	<u>\$ 1,632,764</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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 34,006	\$ 34,086
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	34,788	33,495
Donated stock	(1,051)	-
Realized and unrealized gain on investments	(9,675)	(5,042)
(Increase) decrease in operating assets:		
Gift cards on hand	(3,936)	156
Inventory	(10,085)	(4,200)
Grants receivable	16,284	(24,248)
Loans receivable	(2,259)	(3,182)
Promises to give	8,565	(6,585)
Prepaid expenses	4,802	7,471
Increase (decrease) in operating liabilities:		
Accounts payable	(9,044)	5,067
Accrued expenses	8,122	4,138
Deferred revenue	(18,098)	18,098
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>52,419</u>	<u>59,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(38,480)	(8,860)
Purchase of building and renovations	-	(1,168)
Proceeds from sale of investments	18,012	30
Purchase of investments	(44,781)	(21,945)
NET CASH USED BY INVESTING ACTIVITIES	<u>(65,249)</u>	<u>(31,943)</u>
NET DECREASE IN CASH	(12,830)	27,311
CASH - BEGINNING OF YEAR	<u>152,883</u>	<u>125,572</u>
CASH - END OF YEAR	<u>\$ 140,053</u>	<u>\$ 152,883</u>

See Independent Auditors' Report and Notes to Financial Statements

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018****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, 2019 AND 2018****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Financial Statement Presentation

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-10-65-1, the Organization is required to report information regarding its financial position and activities according to two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions is the part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Net Assets without Donor Restrictions

Net assets without donor restrictions is the part of net assets of the Organization that is not subject to donor-imposed restrictions.

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, 2019 and 2018 is valued at \$1.62 and \$1.68 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, 2019 and 2018 independently audited financial statements and are available on their website.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**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 receipts are credited to the allowance. As of September 30, 2019, the Organization does not believe a reserve for losses on loans receivable is necessary. As of September 30, 2018, reserve for losses on loans receivable was \$1,000. As of September 30, 2019 and 2018, gross loans receivable were \$5,441 and \$4,182, respectively.

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.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**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 net assets without donor restrictions 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.

Deferred Revenues

Deferred revenues consist of grant funds received from the Constellation Network for funding of Getting Ahead workshop. 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. Deferred revenues for the years ended September 30, 2019 and 2018 were \$0 and \$18,098, respectively.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**

Contributions restricted by donor are reported as an increase in net assets without donor restrictions 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, 2019 and 2018 was valued at \$1.62 and \$1.68 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, 2019 and 2018 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 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, 2019 and 2018 amounts to \$120,810 and \$163,865, 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, 2019 and 2018 totaled \$26,257 and \$19,304, respectively.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**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.

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. Program costs include distributed donated food, food supplies and handling, as well as utilities and rent expenses to provide a support network for those families in need of food services. Fund-raising expenses are costs related to campaigns, development, grant writing and other fund-raising efforts. Management and general expenses are costs directly related to the over-all operation of the Organization, which are not associated with program or fund-raising services.

Recent Accounting Pronouncements***Not-for-Profit Financial Statement Presentation***

During the year ended September 2019, the Organization adopted ASU No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both their natural and functional classification.

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**

Recent Accounting Pronouncements (Cont'd)

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of September 30, 2018 follows:

	<u>ASU 2016-14 Classifications</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Unrestricted	\$ 1,218,800	\$ -	\$ 1,218,800
Temporarily restricted	<u>-</u>	<u>105,970</u>	<u>105,970</u>
Net assets, as reclassified	<u>\$ 1,218,800</u>	<u>\$ 105,970</u>	<u>\$ 1,324,770</u>

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, 2019 through January 21, 2020, the date the financial statements were available to be issued and determined there were no other items to be disclosed.

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of September 30, 2019, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

Financial assets:	
Cash and cash equivalents	\$ 140,053
Gift cards on hand	<u>13,327</u>
Total financial assets available within one year	<u>\$ 153,380</u>

The Board monitors the reserve cash account and operations to determine when a shift in food distribution, such as discontinuing a particular food product, is needed based on cash flow.

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

NOTE 3 - 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, 2019 and 2018.

The Organization is dependent upon donations from individuals within the same geographic area.

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 87,405	\$ 95,970
Receivable in one to ten years	<u>-</u>	<u>-</u>
	<u>\$ 87,405</u>	<u>\$ 95,970</u>

NOTE 5 – 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.

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**NOTE 5 – FAIR VALUE MEASUREMENTS (Cont'd)**

The following table presents assets (Level 1) that are measured at fair value on a recurring basis at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ <u>138,793</u>	\$ <u>101,298</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, 2019. As of September 30, 2019 and 2018, promises to give are valued at \$87,405 and \$95,970, respectively.

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

	<u>2019</u>	<u>2018</u>
BALANCE AT BEGINNING OF YEAR	\$ 95,970	\$ 89,385
New unconditional promises to give	116,540	127,960
Unconditional promises to give collected	<u>(125,105)</u>	<u>(121,375)</u>
BALANCE AT END OF YEAR	\$ <u>87,405</u>	\$ <u>95,970</u>

NOTE 6 – INVESTMENTS

Investments in marketable securities stated at fair value consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ <u>138,793</u>	\$ <u>101,298</u>

The following summarizes investment income for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 2,830	\$ 1,976
Net realized/unrealized gains (losses)	<u>8,430</u>	<u>5,042</u>
	\$ <u>11,260</u>	\$ <u>7,018</u>

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 7 – FIXED ASSETS

Building and equipment as of September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 67,419	\$ 28,938
Vehicle	58,727	58,727
Building	<u>1,096,344</u>	<u>1,096,344</u>
	1,222,490	1,184,009
Less: accumulated depreciation	<u>(275,360)</u>	<u>(240,571)</u>
	<u>\$ 947,130</u>	<u>\$ 943,438</u>

Depreciation expense for the years ended September 30, 2019 and 2018 was \$34,788 and \$33,495, respectively.

NOTE 8 – CONTRIBUTIONS IN-KIND

The estimated fair value of donated food, supplies and expert services are recorded as contributions. During the years ended September 30, 2019 and 2018, the following in-kind contributions were received and recorded by the Organization:

	<u>2019</u>	<u>2018</u>
Food	\$ 862,235	\$ 915,367

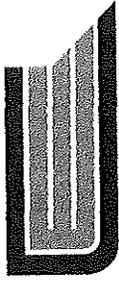
NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of September 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Emergency service	\$ 66,405	\$ 68,400
Food cupboard	21,000	27,570
Getting Ahead program	<u>10,000</u>	<u>10,000</u>
Total temporarily restricted net assets	<u>\$ 97,405</u>	<u>\$ 105,970</u>

NOTE 10 – 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, 2019 and 2018, the Organization's contributions to the plan totaled \$5,903 and \$5,127, respectively.



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

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

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
Kennett Area Community Service
Kennett Square, 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 General of the United States, the financial statements of Kennett Area Community Service (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kennett Area Community Service'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 Kennett Area Community Service's internal control. Accordingly, we do not express an opinion on the effectiveness of Kennett Area Community Service's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 Kennett Area Community Service'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 results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Umbreit, Wilczek & Associates, P.C.

January 21, 2020
Kennett Square, Pennsylvania