

Community Progress Council, Inc.

**Financial Statements and
Supplementary Information**

June 30, 2018 and 2017



Community Progress Council, Inc.

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June 30, 2018 and 2017

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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, 2018 and 2017, and the related statements of activities, changes in unrestricted net assets, functional expenses - by natural classification, 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 audits 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, 2018 and 2017, and the changes in its unrestricted net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplementary Information

Our audits were 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 audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2019, 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

February 7, 2019
York, Pennsylvania

Community Progress Council, Inc.

Statement of Financial Position

	June 30,	
	2018	2017
Assets		
Current Assets		
Cash	\$ 336	\$ 220
Accounts receivable	1,093,508	977,592
Prepaid expenses	127,050	1,654
Total Current Assets	1,220,894	979,466
Property and Equipment, Net	565,629	444,286
Other Assets		
Security deposits	-	2,761
Total Assets	\$ 1,786,523	\$ 1,426,513
Liabilities and Unrestricted Net Assets		
Current Liabilities		
Lines of credit	\$ 52,331	\$ -
Accounts payable	179,936	71,120
Refundable advances	197,315	140,412
Payroll taxes withheld and accrued	88,682	89,499
Total Liabilities	518,264	301,031
Unrestricted Net Assets	1,268,259	1,125,482
Total Liabilities and Unrestricted Net Assets	\$ 1,786,523	\$ 1,426,513

Community Progress Council, Inc.

Statement of Activities

	Years Ended June 30,	
	2018	2017
Support and Revenue		
Grant and contract revenue	\$ 11,171,130	\$ 11,505,193
In-kind contributions	256,416	285,177
Contributions	94,279	29,394
Other income	24,883	11,456
Loss on disposal of property and equipment	(5,838)	(1,350)
Total Support and Revenue	11,540,870	11,829,870
Expenses		
Program and related services	10,132,698	10,601,435
Supporting services		
Management and general	1,265,395	1,135,800
Total Expenses	11,398,093	11,737,235
Changes in Unrestricted Net Assets	\$ 142,777	\$ 92,635

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

	Years Ended June 30,	
	2018	2017
	<hr/>	<hr/>
Unrestricted Net Assets at Beginning of Year	\$ 1,125,482	\$ 1,032,847
Changes in unrestricted net assets	<hr/> 142,777	<hr/> 92,635
Unrestricted Net Assets at End of Year	<hr/> \$ 1,268,259 <hr/>	<hr/> \$ 1,125,482 <hr/>

Community Progress Council, Inc.

Statement of Functional Expenses - by Natural Classification

	Year Ended June 30, 2018		
		Supporting Services	
	Program and Related Services	Management and General	Totals
Salaries and wages	\$ 6,279,343	\$ 729,414	\$ 7,008,757
Employee benefits and payroll taxes	1,874,954	157,194	2,032,148
Rent	360,008	36,803	396,811
Food	261,853	3,206	265,059
Staff development	134,321	48,494	182,815
Utilities	170,108	5,882	175,990
Enrollment costs	166,169	-	166,169
Supplies	137,822	13,084	150,906
Specific assistance	146,734	-	146,734
Contracted services	32,203	93,135	125,338
Depreciation	101,159	-	101,159
Transportation	99,540	1,207	100,747
Repairs and maintenance	85,576	10,247	95,823
Classroom supplies	87,072	-	87,072
Insurance	72,847	4,011	76,858
Advertising	10,597	57,825	68,422
Professional services	-	39,538	39,538
Equipment purchases	18,782	20,623	39,405
Computer software	28,123	11,023	39,146
Dues and memberships	8,782	11,658	20,440
Real estate taxes	19,244	-	19,244
Reproduction expense	11,121	2,811	13,932
Interest	-	10,727	10,727
Postage	7,294	1,300	8,594
Internet	7,694	529	8,223
Miscellaneous	3,627	2,729	6,356
Parent activity	6,290	-	6,290
Bank fees	-	3,955	3,955
Field trips	1,435	-	1,435
	<u>\$ 10,132,698</u>	<u>\$ 1,265,395</u>	<u>\$ 11,398,093</u>

Community Progress Council, Inc.

Statement of Functional Expenses - by Natural Classification (continued)

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

Community Progress Council, Inc.

Statement of Cash Flows

	Years Ended June 30,	
	2018	2017
Cash Flows from Operating Activities		
Changes in unrestricted net assets	\$ 142,777	\$ 92,635
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities		
Depreciation	101,159	108,615
Loss on disposal of property and equipment	5,838	1,350
In-kind contributions - contributed property and equipment	(29,009)	-
(Increase) decrease in assets		
Accounts receivable	(115,916)	447,737
Prepaid expenses	(125,396)	85,303
Security deposits	2,761	-
Increase (decrease) in liabilities		
Accounts payable	108,816	(43,820)
Refundable advances	56,903	(10,941)
Payroll taxes withheld and accrued	(817)	13,148
Net Cash Provided by Operating Activities	147,116	694,027
Cash Flows Used in Investing Activities		
Capital expenditures	(199,331)	(82,148)
Cash Flows Provided by (Used in) Financing Activities		
Net change in lines of credit	52,331	(611,979)
Net Increase (Decrease) in Cash	116	(100)
Cash at Beginning of Year	220	320
Cash at End of Year	\$ 336	\$ 220
Supplementary Cash Flows Information		
Interest paid	\$ 10,727	\$ 4,484

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

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; Housing Counseling and Education; 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 \$334,596 and \$216,385 at June 30, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017, 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 \$68,422 and \$58,534 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017

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.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for the annual period beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities.

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 February 7, 2019, which is the date the financial statements were available to be issued. No material events subsequent to June 30, 2018 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, 2015.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 4 - Concentration of Credit Risk

At times during the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 71% and 70%, 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>2018</u>	<u>2017</u>
Equipment	10 years	\$ 1,634,992	\$ 1,455,120
Buildings and improvements	10 - 40 years	268,393	239,384
Land *		6,309	6,309
		<u>1,909,694</u>	<u>1,700,813</u>
Accumulated depreciation		<u>(1,344,065)</u>	<u>(1,256,527)</u>
		<u>\$ 565,629</u>	<u>\$ 444,286</u>

* Not depreciated

Depreciation for the years ended June 30, 2018 and 2017 amounted to \$101,159 and \$108,615, respectively.

Note 6 - Lines 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 5.00% and 4.25% as of June 30, 2018 and 2017, respectively. The outstanding balance under this line of credit was \$52,331 and \$-0- as of June 30, 2018 and 2017, 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 5.00% and 4.25% as of June 30, 2018 and 2017, respectively. There was no outstanding balance under this line of credit as of June 30, 2018 or 2017.

For the years ended June 30, 2018 and 2017, interest expense amounted to \$10,727 and \$4,484, respectively.

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 7 - Refundable Advances

Refundable advances consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Pennsylvania Department of Human Services - Work Ready program	\$ 69,484	\$ 71,659
Pennsylvania Department of Education - Head Start program	54,230	32,879
Pennsylvania Department of Education - Child and Adult Care Food Program	41,915	-
Other deposits or advances	31,686	27,987
Corporation for National and Community Services - Foster Grandparent program	-	7,887
	<u>\$ 197,315</u>	<u>\$ 140,412</u>

Note 8 - In-kind Contributions

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

	<u>2018</u>	<u>2017</u>
Rent	\$ 191,331	\$ 191,439
Supplies	36,076	53,822
Property and equipment	29,009	-
Professional services	-	39,916
	<u>\$ 256,416</u>	<u>\$ 285,177</u>

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

	<u>2018</u>	<u>2017</u>
Head Start program	\$ 230,368	\$ 256,499
Foster Grandparent's program	26,048	28,678
	<u>\$ 256,416</u>	<u>\$ 285,177</u>

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

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, 2017 and the expected indirect cost rate for the year ended June 30, 2018. The indirect cost rate for the year ended June 30, 2018 increased due to the filling of key positions that were vacant during the year ended June 30, 2017, combined with a reduction in funding. Grant funding was higher during the year ended June 30, 2017 as a result of the budget impasse in the Commonwealth of Pennsylvania during the year ended June 30, 2016, which delayed receipt of grant funding that offset administrative expenses until the following year.

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

	<u>2018</u>	<u>2017</u>
Total management and general expenses	\$ 1,265,395	\$ 1,135,800
Grant revenue	<u>(607,967)</u>	<u>(715,061)</u>
Administrative Costs to be Recovered	<u>\$ 657,428</u>	<u>\$ 420,739</u>
Total salaries and wages and employee benefits and payroll taxes	\$ 9,040,905	\$ 8,862,454
Administrative salaries and wages and employee benefits and payroll taxes	<u>(886,608)</u>	<u>(806,908)</u>
Direct Salaries and Wages and Employee Benefits and Payroll Taxes	<u>\$ 8,154,297</u>	<u>\$ 8,055,546</u>
Administrative costs to be recovered	<u>\$ 657,428</u>	<u>\$ 420,739</u>
Direct salaries and wages and employee benefits and payroll taxes	\$ 8,154,297	\$ 8,055,546
Actual Indirect Cost Rate	8.1%	5.2%

Community Progress Council, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

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, 2018 and 2017 amounted to \$163,037 and \$155,941, 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 varying 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, 2023; and thereafter:

2019	\$	126,329
2020		114,453
2021		52,051
2022		52,741
2023		53,140
Thereafter		<u>33,519</u>
	\$	<u>432,233</u>

Total rent expense for the years ended June 30, 2018 and 2017 amounted to \$396,811 and \$477,505, respectively.

Note 13 - Reclassifications

Certain information in the 2017 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2018 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, 2018, 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 February 7, 2019.

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 a 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

February 7, 2019
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, 2018. 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, 2018.

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 a 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, 2018, and have issued our report thereon dated February 7, 2019, 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

February 7, 2019
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, 2018			Accrued (Deferred) Revenue as of June 30, 2018
			Accrued (Deferred) Revenue as of July 1, 2017	Federal Funds Received	Expenditures	
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	\$ 175,860	\$ 503,645	\$ 327,785	\$ -
WIC Special Supplemental Nutrition Program for Women, Infants and Children	10.557	4100077910	-	696,729	933,015	236,286
Pennsylvania Department of Agriculture						
WIC Farmers' Market Nutrition Program (FMNP)	10.572	4100078128	-	8,710	8,710	-
Pennsylvania Department of Education						
Child and Adult Care Food Program	10.558	300671380	39,564	353,272	271,793	(41,915)
Total U.S. Department of Agriculture			215,424	1,562,356	1,541,303	194,371
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	20,414	20,414	-	-
York County Planning Commission						
Community Development Block Grants/Entitlement Grants	14.218	45192075	5,599	5,599	-	-
Community Development Block Grants/Entitlement Grants	14.218	45102165	6,610	6,610	-	-
Community Development Block Grants/Entitlement Grants	14.218	45102166	7,430	7,430	-	-
Total Community Development Block Grants (CDBG) - Entitlement Grants Cluster			40,053	40,053	-	-
Other Programs						
Pass Through Programs from						
Pennsylvania Housing Finance Agency						
Housing Counseling Assistance Program	14.169	HC-17-03-41006	-	4,723	4,723	-
Housing Counseling Assistance Program	14.169	HC-18-03-41009	-	-	28,285	28,285
York County Planning Commission						
Emergency Solutions Grant Program	14.231	45702182	9,037	9,037	-	-
Continuum of Care Program	14.267	5210624	47,257	156,417	109,160	-
Continuum of Care Program	14.267	5210625	-	24,621	24,621	-
Continuum of Care Program	14.267	5210627	252	8,363	8,111	-
Continuum of Care Program	14.267	5210652	1,497	1,497	-	-
Total Other Programs			58,043	204,658	174,900	28,285
Total U.S. Department of Housing and Urban Development			98,096	244,711	174,900	28,285

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, 2018			Accrued (Deferred) Revenue as of June 30, 2018
			Accrued (Deferred) Revenue as of July 1, 2017	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	1,526	1,526	-	-
Temporary Assistance for Needy Families	93.558	4100064753	-	199,045	244,129	45,084
Total Temporary Assistance for Needy Families (TANF) Cluster			1,526	200,571	244,129	45,084
Other Programs						
Pass Through Programs from						
Pennsylvania Department of Community and Economic Development						
Community Services Block Grant	93.569	C000057307	211,647	702,419	535,117	44,345
Community Services Block Grant	93.569	C000067070	-	88,888	224,319	135,431
Head Start	93.600	03CH339904	19,932	25,372	5,440	-
Head Start	93.600	03CH339905	24,200	3,717,788	3,720,103	26,515
Head Start	93.600	03CH339906	-	44,163	121,924	77,761
Early Head Start	93.600	03CH344103	8,125	9,892	1,767	-
Early Head Start	93.600	03CH344104	18,526	1,352,169	1,341,352	7,709
Early Head Start	93.600	03CH344105	-	30,125	77,997	47,872
Total Other Programs			282,430	5,970,816	6,028,019	339,633
Total U.S. Department of Health and Human Services			283,956	6,171,387	6,272,148	384,717
Corporation for National and Community Services						
Foster Grandparent/Senior Companion Cluster						
Foster Grandparent Program	94.011	13SFAPA002	(7,887)	-	7,887	-
Foster Grandparent Program	94.011	16SFAPA004	30,668	239,004	240,832	32,496
Total Foster Grandparent/Senior Companion Cluster			22,781	239,004	248,719	32,496
Total Corporation for National and Community Services			22,781	239,004	248,719	32,496
Total Expenditures of Federal Awards			\$ 620,257	\$ 8,217,458	\$ 8,237,070	\$ 639,869

Community Progress Council, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

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, 2018. 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 expenditures 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, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: 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>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
93.569	Community Services Block Grant

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)

Year Ended June 30, 2018

Section II - Financial Statement Findings

No findings are reported.

Section III - Federal Award Findings and Questioned Costs

No findings are reported.