

**POCONO SERVICES FOR
FAMILIES AND CHILDREN, INCORPORATED
MONROE COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS**

YEAR ENDED AUGUST 31, 2019

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pocono Services for Families and Children, Incorporated

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pocono Services for Families and Children, Incorporated which comprise the statement of financial position as of August 31, 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. The Organization's 2018 prior year financial statements were audited by another auditor whose report dated January 9, 2019, issued unmodified opinion thereon.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Pocono Services for Families and Children, Incorporated as of August 31, 2019, and the respective changes in financial position and where applicable, cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



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Pocono Services for Families and Children, Incorporated
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Adoption of Financial Accounting Standards Board (FASB) ASU 2016-14

Effective September 1, 2018, the Organization adopted FASB ASU 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. The update is further described in Note 1.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in January 2020, the World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

Other Information

Our audit was performed for the purpose of forming an opinion on Pocono Services for Families and Children, Incorporated’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance), and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 April 27, 2020 on our consideration of Pocono Services for Families and Children, Incorporated’s internal control over financial reporting and 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 Pocono Services for Families and Children, Incorporated’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 Pocono Services for Families and Children, Incorporated’s internal control over financial reporting and compliance.

Zelenkofske Axlerod LLC

Jamison, Pennsylvania
April 27, 2020

ZELENKOFKSKE AXELROD LLC

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets			
Cash and Cash Equivalents	\$ 126,276	\$ 40,000	\$ 166,276
Restricted cash	126,232	250,000	376,232
Grants Receivable	80,196	-	80,196
Service Fees Receivable	63,812	-	63,812
Prepaid Expenses	60,617	-	60,617
Promises to Give	-	631,835	631,835
	<hr/>	<hr/>	<hr/>
Total Current Assets	457,133	921,835	1,378,968
Property and Equipment			
Land and Land Improvements	208,781	-	208,781
Buildings and Building Improvements	5,423,161	-	5,423,161
Program Equipment	137,640	-	137,640
Facility Equipment	148,559	-	148,559
Transportation Equipment	65,334	-	65,334
	<hr/>	<hr/>	<hr/>
	5,983,475	-	5,983,475
Less: Accumulated Depreciation	1,177,751	-	1,177,751
	<hr/>	<hr/>	<hr/>
Total Property and Equipment, Net	4,805,724	-	4,805,724
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 5,262,857	\$ 921,835	\$ 6,184,692
Liabilities			
Line of Credit	\$ 206,173	\$ -	\$ 206,173
Accounts Payable	115,534	-	115,534
Accrued Payroll	114,883	-	114,883
Note Payable	49,966	-	49,966
Mortgage Payable - Current Portion	119,433	-	119,433
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	605,989	-	605,989
	<hr/>	<hr/>	<hr/>
Mortgage Payable - Long Term	2,993,045	-	2,993,045
	<hr/>	<hr/>	<hr/>
Total Liabilities	3,599,034	-	3,599,034
Net Assets			
Without Donor Restrictions	20,543	-	20,543
Investment in Property and Equipment	1,643,280	-	1,643,280
	<hr/>	<hr/>	<hr/>
Total Net Assets Without Donor Restrictions	1,663,823	-	1,663,823
	<hr/>	<hr/>	<hr/>
Net Assets With Donor Restrictions	-	921,835	921,835
	<hr/>	<hr/>	<hr/>
Total Net Assets	1,663,823	921,835	2,585,658
	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 5,262,857	\$ 921,835	\$ 6,184,692

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Grant Revenue			
Governmental Grants and Contracts	\$ 4,267,574	\$ 421,835	\$ 4,689,409
Program Support			
Support	60,901	-	60,901
Contributions	170,322	600,000	770,322
Special Events			
Special Events, Net of Direct Special Events Expenses of \$12,568	30,745	-	30,745
Other Revenues and Gains			
Child Care Fees	607,268	-	607,268
Rent	78,412	-	78,412
Other Income	4,956	-	4,956
Net Assets Released from Restriction:			
Due to Expiration of Time Restrictions or Completion of Specified Purpose	182,965	(182,965)	-
Total Revenues, Support and Other Gains	5,403,143	838,870	6,242,013
Expenses			
Program Services	4,653,253	-	4,653,253
General and Administrative	416,107	-	416,107
Total Expenses	5,069,360	-	5,069,360
Changes in Net Assets	333,783	838,870	1,172,653
Net Assets at September 1, 2018 as Previously Stated	1,589,122	277,965	1,867,087
Prior Period Adjustments (Note 11)	(259,082)	(195,000)	(454,082)
Net Assets at September 1, 2018, as Restated	1,330,040	82,965	1,413,005
Net Assets at August 31, 2019	\$ 1,663,823	\$ 921,835	\$ 2,585,658

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
STATEMENT OF CASH FLOWS
AUGUST 31, 2019

Cash Flows From Operating Activities	
Cash Received from Governmental Contracts	\$ 4,738,129
Cash Received from Program Support	313,098
Cash Received from Program Service Fees	712,533
Cash Paid for Employees	(3,754,002)
Cash Paid to Vendors and Purchased Services	(966,572)
Interest Paid	<u>(141,575)</u>
Net Cash Provided (Used) by Operating Activities	<u>901,611</u>
Cash Flows From Investing Activities	
Purchase Capital Assets	<u>(277,772)</u>
Net Cash Provided (Used) by Investing Activities	<u>(277,772)</u>
Cash Flows From Financing Activities	
Net Borrowing Under Line of Credit	(45,077)
Repayment of Short Term Notes	(8,383)
Repayment of Mortgage Note	<u>(112,500)</u>
Net Cash Provided (Used) by Financing Activities	<u>(165,960)</u>
Net Increase In Cash	457,879
Cash at the Beginning of the Year	<u>84,629</u>
Cash at the End of the Year	<u>\$ 542,508</u>
Cash in banks	\$ 166,276
Restricted cash	<u>376,232</u>
	<u>\$ 542,508</u>
Reconciliation of Change In Net Assets To	
Cash Flows From Operating Activities	
Change in Net Assets	\$ 1,172,653
Adjustments to Reconcile Change in Net Assets to Net	
Cash Provided by Operating Activities	
Depreciation	205,561
Increase in Accounts Receivable	(478,253)
(Decrease)/Increase in Accounts Payable	34,085
(Decrease)/Increase in Accrued Expenses	14,458
Decrease (Increase) in Prepaid Expenses	<u>(46,893)</u>
Cash Flows From Operating Activities	<u>\$ 901,611</u>
Additional Disclosures	
Non-Monetary Contributions Received	<u>\$ 177,085</u>

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	Program Services	Management and General	Total
Personnel	\$ 2,876,042	\$ 266,586	\$ 3,142,628
Fringe Benefits	506,351	90,565	596,916
Occupancy	163,475	8,604	172,079
Health and Nutrition	281,759	-	281,759
Supplies	59,097	15,662	74,759
Insurance	86,976	4,724	91,700
Scholarships	1,288	-	1,288
Service and Maintenance	211,931	11,154	223,085
Training and Accreditation	56,931	-	56,931
Transportation	20,131	-	20,131
Parent Services	10,529	-	10,529
Professional and Consulting	9,500	8,500	18,000
Other	22,107	10,312	32,419
Interest	141,575	-	141,575
Depreciation	205,561	-	205,561
	<u>\$ 4,653,253</u>	<u>\$ 416,107</u>	<u>\$ 5,069,360</u>
Total			

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Pocono Services for Families and Children, Incorporated (“PSFC”) provides high quality nationally and state-accredited Birth-6th Grade school readiness classrooms and comprehensive family support services for over 300 children and their low-income working families at four classroom locations throughout Monroe County. The mission of the agency is to be recognized as Monroe County’s foremost educator and provider of child-focused services. The day-to-day Mission of PSFC is to provide resources to meet the evolving needs of community families in efforts to assist them in achieving their identified goals.

Nature of Activities:

Ensuring a high-quality **Preschool Readiness Educational Program** is a priority of the agency. Every classroom is accredited by the National Association for the Education of Young Children (“NAEYC”) representing the highest quality of educational performance. This quality is also recognized by the State with the designation of a PA STAR4 rating, the highest level of recognition. PSFC is the only agency in Monroe County that maintains this level of credentialing at multiple sites across our community.

The Federal and State funded Head Start Program has been administered in Monroe County by PSFC since 1965. State **Pre-K Counts** classrooms are also available. These programs provide an extensive and comprehensive array of family support services and pre-school readiness programming for our community’s most vulnerable children and families, in efforts to ensure the accomplishment of family goals and school success.

Healthy Start Screenings are an integral part of the Head Start classroom with every child receiving physical, vision, dental, hearing, speech, and developmental screenings to ensure a healthy start on their educational journey.

Full Day Child Care Classrooms for Birth – 5-year-old children provide a safe, secure, high quality nurturing learning environment for children of working parents. These classrooms are available to the general public at both the East Stroudsburg and Mountain Center facilities on a non-discriminatory basis as subsidized care and self-pay.

Before and After-School Care for Kindergarten-6rd grade students is available at The Mountain Center for students in the Pocono Mountain School District (“PMSD”). This school-aged program providing support for working families, has gained a PA STAR4 Designation of quality of care and education. It is an open program for community parents who utilize subsidized care or self-pay options.

The PSFC **Child Well- Being System** has greatly enhanced the social/emotional quality of our classrooms. This system was developed over the past several years in response to the increasing enrollment of children with challenging behaviors and families in crisis. With the expertise and guidance of highly trained behavioral health personnel, an enhancement of curriculum to include a stronger social/emotional component, greater emphasis on teacher training in this field, and higher level of family involvement, PSFC classrooms have become model environments for demonstrating this successful approach to ensure school readiness for all children and their families.

The PSFC **Youth Mentoring Program** provides the opportunity for high school students interested in a career in early childhood education to spend time in classrooms receiving hands-on guidance and support from Early Childhood Education (“ECE”) degreed teachers.

The PSFC Family and Community Engagement Framework is continuing to expand to provide additional resources and training opportunities in support of families reaching their goals.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

The **Health Literacy Program** provides first-response training for parents which offers an easy-to-follow guide, complete first-aid kit, and training in the use of all tools. This training empowers parents to take control of their families' healthcare needs and greatly reduces the need for emergency room or doctor visits which leads to fewer missed school and work days. Current funding for this work is provided through the Pocono Health Foundation Jordan Endowment Fund. *Certified CPR Training* has been added to the health training options. The **PSFC Job Club** began working with families through peer support efforts, specific employment/job training, education, and referrals to secure employment opportunities. This work will be expanded to include **Money Club/Financial Independence** resources and skills to further provide family employment and financial stability. PSFC also provides **PPL PowerSavers** workshops to provide training on home energy savings and free kits of energy saving products for home use.

The **PSFC Emergency Assistance Program** provides vital food and fuel assistance to families in crisis. The purpose of this program is to offer some stability to families who are facing difficult financial choices due to unexpected loss or cost. The assistance PSFC offers can mean the ability to purchase medicine, food, fuel for the work vehicle or heating fuel or electricity for the home. This provides the support a family needs to regain stability, which otherwise may be lost resulting in tragic consequences.

The **"Adopt a Family" Program** ensures many of our most vulnerable families are provided a complete family holiday celebration of food and gifts for Thanksgiving and Christmas. The employees of Sanofi Pasteur and Weiler Corporation, along with other businesses, area congregations, and individuals provide all the essentials and extras for these celebrations for over 60 families each year.

PSFC is a state approved **Pre-Kindergarten Scholarship Program** which allows participation in the state educational improvement tax credit (EITC) program. Corporations in PA are eligible to apply for these tax credits and pass them to approved programs. PSFC is fortunate to be the recipient of these funds which provide scholarships for preschool aged children of low-income working families to attend the PSFC high quality classrooms in preparation for success in Kindergarten. ESSA Bank and Trust, First Keystone Bank, First National Bank, People's Security Bank, PNC, Strunk-Albert Engineering, Superheat Contractors, WEIS Markets, and PP&L have all participated over the years with their corporate contributions. Community partners and PSFC staff, through payroll deductions, also contribute to the Scholarship Fund.

The Mountain Center, located in Tobyhanna, PA utilizes a 92,000 square foot building as an educational and community service center in the most under-served area of our community. We currently provide 7 Head Start / Pre-K Counts classrooms, 2 infant/toddler classrooms, and before/after school care for K-6th grade students. Together with several non-profit partner agencies invited specifically for their service expertise in areas which would best meet community needs, the facility is near capacity. They include an Intermediate Unit #20 ("IU20") Classroom, food pantry, Habitat for Humanity, AARP Senior Adult Employment Services, WIC, Women's Resources, Street to Feet Homeless Initiative, Read Across Monroe free library/book give-away, Area on Aging Senior Adult Activity Center, local State Representative office, several Narcotics Anonymous groups, and a gymnasium full of youth sports organizations.

PSFC provides a **free summer meal program** for PMSD students to ensure nutritional supports for these children during the summer months when school is not in session.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

Public transportation, through Monroe County Transportation Authority (“MCTA”), provides Tobyhanna residents the opportunity to catch the bus for direct access to grocery stores, college campus, banks, jobs and entertainment.

The hourly route (The Blue Route) connects The Mountain Center (“TMC”) neighbors with all these resources down Rte. 611 to St Luke’s Hospital in Bartonsville.

Services and Opportunities to come:

Rural Health Clinic would be one of the last invited agencies to participate in the facility space still available for occupancy. This Clinic would house the primary health care provider / medical home for low-income neighbors living around TMC.

Family Health and Education Trail will be a project in collaboration with the local Pocono Mountain Public Library, located a few hundred yards through the woods from TMC. The trail will be constructed to connect TMC with the Library for planned library visits and activities for children and families making the walk through the woods.

The YES (Youth Employment Services) program officially merged with PSFC in November 2019 to become the **Youth Empowerment Services** to complete the PSFC “cradle to career” seamless continuum of care, education, support and guidance. This work will concentrate on education / career exploration and development for High School students across Monroe County.

Basis of Accounting

The accompanying financial statements of Pocono Services for Families and Children, Incorporated have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

Financial Statements Presentation

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-014, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). ASU 2016-14 amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as “net assets without donor restrictions” and “net assets with donor restrictions”;
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in-service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information of liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

FASB ASC Section 958-205-05 establishes the standard for external financial reporting by not-for-profit organizations and requires that resources are classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions:

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statements Presentation (Continued)

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources are to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Emergent Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASC 606), which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services (exchange transactions for not-for-profit organizations). The ASU is effective for PSFC's financial statements for the fiscal year ending August 31, 2020. The Organization is assessing the impact this standard will have on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, (ASC 842). FASB issued the Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. This affects any entity that enters into a lease, with some specified scope exemptions. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. The Update is effective for PSFC's financial statements as of and for the year ending August 31, 2021. The Organization is assessing the impact this standard will have on its financial statements.

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. As described above, the Organization has adjusted the presentation of these statements accordingly as of and for the year ended August 31, 2019.

During August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 addresses eight cash flow issues with specific guidance on how certain cash receipts and cash payments should be presented on the statement of cash flows. The Update is effective for PSFC's fiscal year August 31, 2020 financial statements. The Organization is currently assessing the effect that ASU No. 2016-15 will have on its statement of cash flows.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Emergent Accounting Standards (Continued)

barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. As required by the standard, PSFC will adopt ASU No. 2018-08 as of and for the year ending August 31, 2020.

Concentrations of Credit Risk

The Organization maintains cash balances at a single financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Organization's account balance may exceed the federally insured limit. The institution has collateralized any excess over insured amounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The Organization owns its East Stroudsburg facility and there is no outstanding debt associated with its purchase.

The Organization provides for the estimated useful lives of the assets as follows:

Transportation equipment	5-10 years
Classroom and office equipment	3-10 years
Buildings and improvements.....	20-40 years

Income Taxes

Pocono Services for Families and Children, Incorporated has been recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is required. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the IRS. Tax returns are generally subject to examination by the IRS for three years after they are filled.

Uncertain Tax Positions

The Organization follows accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by the taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

As of August 31, 2019, the Organization had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the Organization had no interest or penalties related to income taxes.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses including salaries and employee benefits that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to most functions are allocated by the use of an allocation of occupancy square footage. There were no fund-raising costs. As such, no expenses have been allocated to that function.

Sources of Revenue

The Organization's operating revenue is derived from governmental contracts with federal, state, and local sources, as well as fees for preschool and childcare services for children from families eligible for assistance in the federal and state programs administered by the Organization.

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 temporarily restricted or permanently restricted support that increases those net asset classes.

Concentration of Revenue

The Organization has been awarded grants from U.S. Department of Health and Human Services and Department of Agriculture, Pennsylvania Department of Public Welfare, Pennsylvania Department of Education, and other organizations to subsidize the cost of salaries, education, supplies, new programs, and equipment.

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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2019

NOTE 2 LIQUIDITY AND AVAILABILITY

The following reflects PSFC's financial assets as of August 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year after August 31, 2019.

Cash and cash equivalents	\$	542,508
Grants receivable		80,196
Service fees receivable		63,812
Promises to give		<u>631,835</u>
Financial assets at August 31, 2019		1,318,351
Unavailable for general expenditures within one year due to:		
Required debt service reserve to be maintained		(126,232)
Restricted by donor with time or purpose restrictions		<u>(921,835)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 270,284</u>

PSFC is substantially supported by restricted contributions and grants. Because a donor's or grantor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of PSFC's liquidity management plan, it has a policy to structure its financial assets to be available when general expenditures, liabilities and other obligations become due. In addition, PSFC has a line of credit upon which funds may be drawn.

NOTE 3 OPERATING LEASES

The Organization accepts lease terms at below market rent and recognizes contributions to the nonprofit tenant organizations for the difference in amount of rent to market rent. The aggregate contributions for 2019 was \$120,616 to these nonprofit tenant organizations.

NOTE 4 IN-KIND CONTRIBUTIONS

The in-kind contributions reported in the supplementary information has been used to meet the Organization's matching requirements as required by *U.S. Department of Health and Human Services* Head Start Program. A number of parents and community members volunteer their time to the Organization. No amounts have been included in the financial statements for these services since the recognition criteria under U.S. generally accepted accounting principles was not met.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2019

NOTE 5 PROPERTY AND EQUIPMENT

	Fixed Assets			
	Beginning	Additions	Deductions	Ending
Land and Improvements	\$ 202,541	\$ 6,240	\$ -	\$ 208,781
Building and Improvements	5,215,871	207,290	-	5,423,161
Program Equipment	88,398	49,242	-	137,640
Facility Equipment	148,559	15,000	-	163,559
Transportation Equipment	50,334	-	-	50,334
	\$ 5,705,703	\$ 277,772	\$ -	\$ 5,983,475
	Accumulated Depreciation			
	Beginning	Additions	Deductions	Ending
Total Accumulated Depreciation	\$ 972,190	\$ 205,561	\$ -	\$ 1,177,751

In the supplementary information, the purchase of fixed assets is reported as capital outlay expense and no depreciation is reported in accordance with the regulatory basis of accounting, rather than an addition to the fixed assets as in the statement of financial position in conformity with U.S. generally accepted accounting principles. For federal reimbursement purposes, under the Head Start Program, reimbursement for depreciation is not an allowable cost.

NOTE 6 RETIREMENT PLAN

The Organization offers a retirement plan covering all employees who are at least 21 years old and have completed 6 months of service. The Organization is not required to contribute to the plan and may contribute up to 5% of eligible compensation to the plan every year at the discretion of management. The Organization did not made contributions for the year ended August 31, 2019.

NOTE 7 COMMITMENTS AND CONTINGENCIES

The Organization receives revenue from the U.S. Department of Health and Human Services as its primary program of operations. The Organization's agreement with DHHS includes provisions for the dissolution of the agreement and cost settlement of certain expenditures specifically funded by DHHS's *Head Start Program*. The Organization receives a substantial amount of revenue in the form of government services contracts from federal, state, and local jurisdictions. A significant reduction in the level of funding may have an effect on the Organization's programs and activities.

NOTE 8 OPERATING LINES OF CREDIT

PSFC secured a \$250,000 line of credit in July 2018. The loan was paid in full on October 1, 2018. In June 2019, Organization secured an additional \$205,000 line of credit with Peoples Security Bank & Trust Company to assist with operational cash flow. The loan matures on September 18, 2019 with variable interest payable at 5.500% per annum as of August 31, 2019, based on the Prime Rate. The balance outstanding as of August 31, 2019 was \$206,173, including accrued interest, and the loan was paid in full on September 17, 2019.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2019

NOTE 9 LONG-TERM DEBT

PSFC acquired The Mountain Center in June of 2016. A mortgage on the property was secured at Peoples Security Bank & Trust Company and is a U.S. Department of Agriculture Business and Industry (B&I) Guaranteed Loan. 70% of the loan is guaranteed and subject to a renewal fee of .50 percent of the guaranteed portion of the outstanding principal as of December 31st of each year, and subject to other terms and conditions of the agreement, including covenants of a debt to net worth ratio not to exceed 3:1; current ratio of not less than 1:1; and debt coverage ratio of not less than 1. PSFC met the financial covenants of the mortgage as of August 31, 2019. The mortgage payable is due in monthly installments of interest only, 4.35% for 12 months, then monthly installments of \$21,039 for 48 months, at a rate of 4.35% for the next four years, then on each third anniversary based on fixed rate equal to 325 basis points in excess of the rate paid on three year U.S. Treasury notes. The mortgage matures in July 2037 and is secured by real estate, the debt reserve, and all business assets. Per the mortgage agreement, \$126,276 is restricted cash for the debt reserve.

In April 2017, PSFC entered into a construction loan agreement for \$65,000, due in six monthly installments of interest only, at a variable rate of 4.50%. Thereafter, monthly installments of \$905.52 of principal and interest for 54 months at 4.5%. The loan matures October 28, 2024 and is secured by assets, excluding real property. As of August 31, 2019, the outstanding balance was \$49,966.

Long term maturities as of August 31, 2019 follow:

	Minimum Future Payments
2020	\$ 169,399
2021	124,733
2022	130,269
2023	136,050
2024	142,087
Thereafter	2,459,906
	\$ 3,162,444

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Certain cash accounts reflect donor restricted contributions. The purpose of these contributions is to provide the Organization with the ability to purchase a building and other capital assets or to provide for program activities for a specified period.

PSFC received a \$250,000 grant from The R. Dale and Frances M. Hughes Foundation to be used for mortgage payments in fiscal year 2020. ESSA Bank and Trust Foundation provided a grant in the amount of \$300,000; payable in \$100,000 installments for three years to be used for construction and renovation of The Mountain Center. The first installment was received during fiscal year 2019. The Organization entered into an agreement with Monroe County Industrial Development Authority (MCIDA) for a Local Share Account Grant in the amount of \$421,835 for the renovation of The Mountain Center. Moses Taylor Foundation provided a \$50,000 grant to PSFC to support the Getting an Early Head Start Program.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2019

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions as of August 31, 2019 includes:

The R. Dale and Frances M. Hughes Foundation	\$	250,000
ESSA Bank and Trust Foundation		200,000
County of Monroe MCIDA Grant		421,835
Moses Taylor Foundation		50,000
		<u>921,835</u>
	<u>\$</u>	<u>921,835</u>

NOTE 11 PRIOR PERIOD ADJUSTMENTS

Net assets as of August 31, 2018 were adjusted to correct misstatements as follows:

	Without Donor Restriction	With Donor Restriction	Total Net Assets
Net assets as previously stated at August 31, 2018	<u>\$ 1,589,122</u>	<u>\$ 277,965</u>	<u>\$ 1,867,087</u>
Understatement of line of credit balance	(251,250)	-	(251,250)
Overstatement of promises to give	-	(195,000)	(195,000)
Correction of year-end balances, net	<u>(7,832)</u>	<u>-</u>	<u>(7,832)</u>
Total prior period adjustments	<u>(259,082)</u>	<u>(195,000)</u>	<u>(454,082)</u>
Net assets at August 31, 2019, as restated	<u>\$ 1,330,040</u>	<u>\$ 82,965</u>	<u>\$ 1,413,005</u>

NOTE 12 SUBSEQUENT EVENTS

Management of PSFC has evaluated subsequent events have been evaluated through April 27, 2020, which is the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosures in the financial statements other than those described below.

Effective October 1, 2019, PSFC merged with Monroe County Youth Employment Service, Inc. ("YES"), a not-for-profit organization. PSFC is the surviving organization of the merger. YES operates primarily in Monroe County, Pennsylvania by providing leadership, health awareness, career exploration, employability and entrepreneurial training programs which promote, encourage and develop youth (ages 12 to 24) to take an active role in their future, whether by attending a college, university, technical/trade school, joining the work force, or becoming an entrepreneur within the region. PSFC and YES believe that the merger will bring both organizations increased community impact, and a strengthened position for grant opportunities and operational efficiencies. All rights, assets and property, and obligations of YES will become the property and liabilities of PSFC. As of June 30, 2019, YES reported total assets of \$152,602, including \$151,482 of cash, and liabilities of \$2,554.

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2019

NOTE 12 SUBSEQUENT EVENTS (CONTINUED)

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the negative impact of the coronavirus on PSFC's operational and financial performance is currently uncertain and cannot be predicted, and will depend on certain developments, including, among others, the duration and spread of the outbreak, its impact on PSFC's funders, employees and vendors, and governmental, regulatory and other responses to the coronavirus.



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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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pocono Services for Families and Children, Incorporated

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 Pocono Services for Families and Children, Incorporated (a not-for-profit organization), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Pocono Services for Families and Children, Incorporated's basic financial statements, and have issued our report thereon dated April 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pocono Services for Families and Children, Incorporated's internal control over financial reporting (internal control) to determine the audit procedures that are a Pocono Services for Families and Children, Incorporated appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pocono Services for Families and Children, Incorporated's internal control. Accordingly, we do not express an opinion on the effectiveness of Pocono Services for Families and Children, Incorporated'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 Pocono Services for Families and Children, Incorporated'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*.

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3800 McKnight East Drive, Suite 3805, Pittsburgh, PA 15237
34745 Burbage Road, Frankford, DE 19945

2370 York Road, Suite A-5, Jamison, PA 18929
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Board of Trustees
Pocono Services for Families and Children, Incorporated

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 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.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
April 27, 2020



Zelenkofske Axlerod LLC

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REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pocono Services for Families and Children, Incorporated

Report on Compliance for the Major Federal Program

We have audited Pocono Services for Families and Children, Incorporated's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Pocono Services for Families and Children, Incorporated's major federal program for the year ended August 31, 2019. Pocono Services for Families and Children, Incorporated's major federal program is 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pocono Services for Families and Children, Incorporated's major federal program 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 US. *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 Organization's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Pocono Services for Families and Children, Incorporated's compliance.

Opinion on the Major Federal Program

In our opinion, Pocono Services for Families and Children, Incorporated complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2019.



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Board of Trustees
Pocono Services for Families and Children, Incorporated

Report on Internal Control Over Compliance

Management of Pocono Services for Families and Children, Incorporated, 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 Pocono Services for Families and Children, Incorporated's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Pocono Services for Families and Children, Incorporated's internal control over compliance.

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

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

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

Zelenkofske Axlerod LLC

ZELENKOSKE AXELROD LLC

Jamison, Pennsylvania
April 27, 2020

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AUGUST 31, 2019

Federal Grantor/Pass-Through Grantor-Program or Cluster Title	Federal CFDA Number	Contract Number	Contract Term	Expenditures	Subrecipients
U.S. Department of Health and Human Services					
Direct Program					
Head Start Program	93.600	03CH010219-4-00	9/1/18 - 8/31/19	<u>\$ 1,670,069</u> *	-
Pass-through Monroe County					
Community Services Block Grant	93.569	C000066924	1/1/18 - 12/31/22	<u>24,152</u>	-
Total 477 Cluster				<u>24,152</u>	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>1,694,221</u>	
U.S. Department of Agriculture					
Pass-through Pennsylvania Department of Education					
Child and Adult Care Food Program	10.558	300-45-500-0	7/1/18 - 6/30/19	<u>215,446</u>	-
Summer Food Service Program for Children	10.559	300-45-500-0	7/1/18 - 6/30/19	<u>13,746</u>	-
Total Child Nutrition Cluster				<u>13,746</u>	
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>229,192</u>	
TOTAL FEDERAL AWARDS				<u>\$ 1,923,413</u>	

* Denotes major program

The accompanying notes are an integral part of this schedule.

**POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activities of Pocono Services for Families and Children, Incorporated ("PSFC"). The schedule has been presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of PSFC, it is not intended to and does not present the financial position, changes in net assets or cash flows of PSFC.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. There were no subrecipients of federal awards in fiscal year 2019.

NOTE 3 INDIRECT COST RATE

PSFC has elected not to use the ten percent (10%) de minimis indirect cost rate allowed under the Uniform Guidance.

**POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report Issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Reportable condition(s) identified that are considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Reportable condition(s) identified that are considered to be material weaknesses? No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
U.S. Department of Health and Human Services Head Start Program	93.600

Dollar threshold used to distinguish between Types A and B programs was \$750,000.

Auditee qualified as a low-risk auditee? Yes

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding: None

Questioned Cost: None

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding: None

Questioned Cost: None

**POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019**

PRIOR AUDIT FINDINGS

None



Zelenkofske Axlerod LLC

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

BOARD OF DIRECTORS
POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole of Pocono Services for Families and Children, Incorporated for the year ended August 31, 2019 which is presented in the preceding section of this report. The following supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedules of unrestricted revenue and support by program and unrestricted expenditures by program have been prepared on the regulatory basis of accounting in conformity with principles established by the *U. S. Department of Health and Human Services*. The Organization recognizes in-kind contributions in meeting its Head Start Program matching requirements. These in-kind contributions do not meet the criteria for recognition under *U. S. generally accepted accounting principles*. Additionally, the Organization has included acquisitions of fixed assets as expenditures in the schedule of unrestricted expenditures by program rather than as an addition to fixed assets as required by *U.S. generally accepted accounting principles*.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except as indicated in the preceding paragraph, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
April 27, 2020

POCONO SERVICES FOR FAMILIES AND CHILDREN, INCORPORATED
SCHEDULE OF UNRESTRICTED REVENUE AND EXPENSE BY PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2019
(Presented on the Regulatory Basis for Head Start Purposes)

	Head Start Program	Other Programs	Total
GRANT REVENUE			
U.S. Department of Health & Human Services - Head Start Program	\$ 1,670,069	\$ -	\$ 1,670,069
Commonwealth of Pennsylvania Office of Child Development & Early Learning - Infant Toddler	-	9,573	9,573
U.S. Department of Agriculture - Department of Education - Child and Adult Care Food Program	291,124	-	291,124
Commonwealth of Pennsylvania - Department of Education - Pre K	-	773,333	773,333
Commonwealth of Pennsylvania Department of Education - Head Start Supplemental Assistance Program	1,244,851	-	1,244,851
Monroe County Industrial Development Authority - Local Share Account	-	170,195	170,195
County of Monroe - Community Services Block Grant	-	56,622	56,622
County of Monroe - Human Services Development Fund	51,807	-	51,807
PROGRAM SUPPORT			
United Way	53,081	-	53,081
Contributions	-	120,294	120,294
Scholarship Fund	-	475	475
Food for Families	-	8	8
Pocono Record - Toys for Joy	-	7,000	7,000
Pocono Alliance	-	820	820
Education Improvement Tax Credits	-	54,500	54,500
OTHER REVENUES AND SUPPORT			
Child Care Fees	-	607,268	607,268
Special Events, Net of Direct Expenses	-	30,745	30,745
Rent	-	78,413	78,413
In-Kind Contributions - NonGAAP	-	177,085	177,085
	3,310,932	2,086,331	5,397,263
NET ASSETS RELEASED FROM RESTRICTION			
Due to Expiration of Time Restrictions or Completion of Specified Purpose	-	182,965	182,965
Total Program Revenue and Support	3,310,932	2,269,296	5,580,228
PROGRAM EXPENSES			
Personnel	2,296,855	845,772	3,142,627
Fringe Benefits	366,345	230,571	596,916
Occupancy	96,746	75,333	172,079
Health and Nutrition	261,600	20,159	281,759
Supplies	54,131	20,628	74,759
Insurance	66,212	25,488	91,700
Scholarships	-	1,288	1,288
Service and Maintenance	78,460	144,625	223,085
Training and Accreditation	51,326	5,605	56,931
Transportation	13,999	6,132	20,131
Parent Services	8,258	2,271	10,529
Professional and Consulting	17,000	1,000	18,000
Other	-	32,419	32,419
Interest	-	141,575	141,575
Capital Outlay	-	277,772	277,772
In-Kind Contributions - NonGAAP	-	177,085	177,085
Total Program Expenses	3,310,932	2,007,723	5,318,655
Program Surplus	\$ -	\$ 261,573	\$ 261,573