



**FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Kennett Area Community Service (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kennett Area Community Service as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2022, on our consideration of Kennett Area Community Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Kennett Area Community Service's internal control over financial reporting and compliance.

Umbreit, Wilczek & Associates, P. C.

Kennett Square, PA
January 27, 2022

KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,607,292	\$ 1,048,105
Gift cards on hand	2,232	1,977
Inventory	32,633	32,782
Grants receivable	24,058	58,845
Promises to give	101,510	81,900
Prepaid expenses	10,737	4,283
TOTAL CURRENT ASSETS	<u>1,778,462</u>	<u>1,227,892</u>
FIXED ASSETS		
Building	780,990	738,906
Equipment and vehicles	188,330	129,810
Accumulated depreciation	<u>(273,992)</u>	<u>(254,394)</u>
TOTAL FIXED ASSETS	<u>695,328</u>	<u>614,322</u>
Investments	<u>259,379</u>	<u>191,486</u>
TOTAL ASSETS	<u>\$ 2,733,169</u>	<u>\$ 2,033,700</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 28,927	\$ 22,167
Accrued expenses	52,022	38,964
TOTAL CURRENT LIABILITIES	<u>80,949</u>	<u>61,131</u>
Loan payable	<u>-</u>	<u>75,845</u>
TOTAL LIABILITIES	<u>80,949</u>	<u>136,976</u>
NET ASSETS		
Without donor restrictions		
Undesignated	2,260,713	1,623,338
Board designated	259,379	191,486
Total net assets without donor restrictions	<u>2,520,092</u>	<u>1,814,824</u>
With donor restrictions	132,128	81,900
TOTAL NET ASSETS	<u>2,652,220</u>	<u>1,896,724</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,733,169</u>	<u>\$ 2,033,700</u>

See Independent Auditors' Report and Notes to Financial Statements

KENNETT AREA COMMUNITY SERVICE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	Without Donor Restrictions	With Donor Restrictions	2020 Total
SUPPORT AND REVENUE						
Contributions	\$ 2,139,723	\$ 174,929	\$ 2,314,652	\$ 1,689,867	\$ 493,835	\$ 2,183,702
In-kind donations	922,380	-	922,380	952,189	-	952,189
Special events	63,777	-	63,777	65,987	-	65,987
Less: direct costs	(17,686)	-	(17,686)	(11,742)	-	(11,742)
Net special event revenue	46,091	-	46,091	54,245	-	54,245
Payroll Protection Program	75,845	-	75,845	-	-	-
Program revenue	-	-	-	24,302	-	24,302
Investment income	35,433	-	35,433	32,198	-	32,198
Net insurance proceeds	-	-	-	23,889	-	23,889
Miscellaneous income	7,608	-	7,608	509	-	509
Released from restrictions	124,701	(124,701)	-	509,340	(509,340)	-
TOTAL SUPPORT AND REVENUE	3,351,781	50,228	3,402,009	3,286,539	(15,505)	3,271,034
CASUALTY LOSS	-	-	-	(301,016)	-	(301,016)
EXPENSES						
Program services	2,354,544	-	2,354,544	2,195,833	-	2,195,833
Management and general	170,431	-	170,431	123,626	-	123,626
Fundraising	121,538	-	121,538	112,611	-	112,611
TOTAL EXPENSES	2,646,513	-	2,646,513	2,432,070	-	2,432,070
CHANGE IN NET ASSETS	705,268	50,228	755,496	553,453	(15,505)	537,948
NET ASSETS - BEGINNING OF YEAR	1,814,824	81,900	1,896,724	1,261,371	97,405	1,358,776
NET ASSETS - END OF YEAR	\$ 2,520,092	\$ 132,128	\$ 2,652,220	\$ 1,814,824	\$ 81,900	\$ 1,896,724

See Independent Auditors' Report and Notes to Financial Statements

KENNETT AREA COMMUNITY SERVICE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services			Total Program Services	Management and General	Fundraising	Total Expenses
	Food Program	Social Work	Bridges Out of Poverty				
Aid to families	\$ -	\$ 575,531	\$ -	\$ 575,531	\$ -	\$ -	\$ 575,531
Bank and credit card fees	-	45	-	45	14,487	-	14,532
Consulting	7,776	7,775	-	15,551	-	8,248	23,799
Depreciation	13,183	18,611	1,070	32,864	2,293	3,057	38,214
Donated food	870,145	-	-	870,145	-	-	870,145
Educational Scholarships	-	9,956	-	9,956	-	-	9,956
Employee benefit	17,958	25,357	1,456	44,771	8,085	7,793	60,649
Insurance	11,452	11,451	-	22,903	27	-	22,930
Maintenance	16,624	23,471	1,350	41,445	2,891	3,855	48,191
Office expense	24,844	19,796	4,327	48,967	2,297	-	51,264
Outreach and marketing	13,923	13,445	-	27,368	440	-	27,808
Payroll taxes	16,898	23,859	1,370	42,127	7,607	7,333	57,067
Professional fees	-	-	-	-	38,630	-	38,630
Program expenses	-	-	145	145	-	-	145
Purchased food	77,448	-	-	77,448	-	-	77,448
Rent	8,008	11,306	650	19,964	1,393	1,857	23,214
Salaries	202,274	285,570	16,423	504,267	91,084	87,798	683,149
Tax and licenses	1,054	192	-	1,246	-	-	1,246
Telephone	2,970	4,192	241	7,403	516	689	8,608
Travel	1,570	1,042	27	2,639	-	-	2,639
Utilities	3,931	5,509	319	9,759	681	908	11,348
	<u>\$ 1,290,058</u>	<u>\$ 1,037,108</u>	<u>\$ 27,378</u>	<u>\$ 2,354,544</u>	<u>\$ 170,431</u>	<u>\$ 121,538</u>	<u>\$ 2,646,513</u>

KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Services			Total Program Services	Management and General	Fundraising	Total Expenses
	Food Program	Social Work	Bridges Out of Poverty				
Aid to families	\$ -	\$ 561,506	\$ -	\$ 561,506	\$ -	\$ -	\$ 561,506
Bank and credit card fees	300	279	-	579	13,463	-	14,042
Consulting	10,005	9,402	-	19,407	-	1,250	20,657
Depreciation	11,801	20,011	1,537	33,349	2,486	3,314	39,149
Donated food	916,136	-	-	916,136	-	-	916,136
Employee benefit	11,437	21,602	1,490	34,529	6,169	7,366	48,064
Insurance	7,867	7,857	-	15,724	-	-	15,724
Maintenance	6,943	13,115	905	20,963	1,463	1,950	24,376
Office expense	22,565	13,988	1,511	38,064	-	165	38,229
Outreach and marketing	8,168	6,060	112	14,340	63	8,412	22,815
Payroll taxes	10,722	20,251	1,397	32,370	5,783	6,906	45,059
Professional fees	-	-	-	-	24,558	-	24,558
Program expenses	-	-	14,911	14,911	-	-	14,911
Purchased food	89,860	-	-	89,860	-	-	89,860
Salaries	127,014	239,912	16,548	383,474	68,512	81,808	533,794
Tax and licenses	240	229	-	469	-	-	469
Telephone	1,919	3,625	250	5,794	404	539	6,737
Travel	1,720	1,665	1,290	4,675	49	-	4,724
Utilities	3,208	6,057	418	9,683	676	901	11,260
	<u>\$ 1,229,905</u>	<u>\$ 925,559</u>	<u>\$ 40,369</u>	<u>\$ 2,195,833</u>	<u>\$ 123,626</u>	<u>\$ 112,611</u>	<u>\$ 2,432,070</u>

KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 755,496	\$ 537,948
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	38,214	39,149
Donated stock	(37,564)	(21,510)
Payroll Protection Program grant	(75,845)	-
Realized and unrealized gain on investments	(28,002)	(29,054)
Loss on disposal of equipment	-	2,338
Casualty loss	-	301,016
(Increase) decrease in operating assets:		
Gift cards on hand	(255)	11,350
Inventory	149	(6,659)
Grants receivable	34,787	(28,091)
Loans receivable	-	5,441
Promises to give	(19,610)	5,505
Prepaid expenses	(6,454)	(4,283)
Increase in operating liabilities:		
Accounts payable	6,760	13,568
Accrued expenses	13,058	17,313
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>680,734</u>	<u>844,031</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(119,220)	(9,694)
Proceeds from sale of investments	50	297
Purchase of investments	(2,377)	(2,427)
NET CASH USED BY INVESTING ACTIVITIES	<u>(121,547)</u>	<u>(11,824)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	-	75,845
NET INCREASE IN CASH	559,187	908,052
CASH - BEGINNING OF YEAR	<u>1,048,105</u>	<u>140,053</u>
CASH - END OF YEAR	<u>\$ 1,607,292</u>	<u>\$ 1,048,105</u>

See Independent Auditors' Report and Notes to Financial Statements

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES****Nature of Organization**

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

Program Services

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

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

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

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

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

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

Summary of Significant Accounting PoliciesBasis of Accounting

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

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Financial Statement Presentation

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

Net Assets with Donor Restrictions

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

Net Assets without Donor Restrictions

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

Cash and Cash Equivalents

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

Inventory

Inventory consists of food received from various government agencies, public donations, and direct purchases. Inventory at September 30, 2021 and 2020 is valued at \$1.79 and \$1.74 per pound, respectively. These values are based on a study performed by Feeding America to determine the approximate average wholesale value of one pound of product at the national level. The values are reported in Feeding America's June 30, 2021 and 2020 independently audited financial statements and are available on their website.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Grants Receivable

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

Promises to Give

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

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

Allowance for Doubtful Accounts

Promises to give are stated net of an allowance for doubtful accounts. The Organization estimates the allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability. At September 30, 2021 and 2020 there was no allowance for doubtful accounts.

Land, Building, and Equipment

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

Investments

As required by the Investment Topic of the FASB Accounting Standards Codification No. 958-320, ("FASB ASC 958-320"), the Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Investments (Cont'd)

included in the change in net assets. Management fees on investments are recorded as a reduction to investment income. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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

Contributions

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

Contributions restricted by donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the reporting period in which the contribution is recognized.

Contributions In-Kind

Donated food for the years ended September 30, 2021 and 2020 was valued at \$1.79 and \$1.74 per pound, respectively. These values are based on a study performed by Feeding America to determine the approximate average wholesale value of one pound of product at the national level. The values are reported in Feeding America's June 30, 2021 and 2020 independently audited financial statements and are available on their website.

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

Donated equipment and other goods are recorded at their estimated fair value as of the date of the donation.

Accounting standards require that only contributed services, which require a specialized skill and for which the Organization would have paid for if not donated, be recorded at the estimated fair value at the time the services are rendered.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Contributions In-Kind (Cont'd)

The Organization receives a significant amount of donated services from unpaid volunteers who assist in operating the food cupboard. The estimated value of these services for the years ended September 30, 2021 and 2020 amounts to \$45,440 and \$65,880, respectively. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grant revenues are recognized when received or when spent, whichever occurs first. Contributions are recorded at fair value, which is net of estimated uncollectible amounts. Revenue from fundraising events and other functions is recognized as earned having applicable costs concurrently recognized. Interest and investment income is recognized as earned.

The Organization recognizes revenue when it satisfies a performance obligation by transferring control of a promised good or service to the customer. The Organization's principal activities resulting in contracts with customers are revenue from programs and special events.

Because the benefits received from programs and special events have an original expected duration of one year or less, the Organization has elected the practical expedient and not disclosed the value of unsatisfied performance obligations and expected timing for completion related to the revenue.

Advertising

Advertising costs are expensed when incurred. Advertising costs for the years ended September 30, 2021 and 2020 totaled \$27,808 and \$22,815, respectively.

Use of Estimates

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

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Income Tax Status

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

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program costs include distributed donated food, food supplies and handling, as well as utilities and rent expenses to provide a support network for those families in need of food services. Fund-raising expenses are costs related to campaigns, development, grant writing and other fund-raising efforts. Management and general expenses are costs directly related to the over-all operation of the Organization, which are not associated with program or fund-raising services. Certain general and administrative expenses, such as payroll, employee benefits and payroll taxes are allocated to programs and fundraising based on employees' use of their time.

Date of Management Approval

As required by the Subsequent Events Topic of the FASB ASC, the Organization has evaluated those events and transactions that occurred after the statement of financial position date of September 30, 2021 through January 27, 2022, the date the financial statements were available to be issued and determined there were no other items to be disclosed.

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of September 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditures such as operating expenses are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and equivalents	\$ 1,607,292	\$ 1,048,105
Gift cards on hand	2,232	1,977
Grants receivable	24,058	58,845
Promises to give	<u>101,510</u>	<u>81,900</u>
Total financial assets available within one year	<u>\$ 1,735,092</u>	<u>\$ 1,190,827</u>

The Board adopted a policy regarding its liquidity during the year ended September 30, 2019, and monitors and maintains cash balances based on its short and long term needs.

NOTE 3 - CONCENTRATIONS

The Organization maintains cash balances at several financial institutions. The Federal Deposit Insurance Corporation insures cash balances up to \$250,000. In the normal course of business, the Organization may have deposits that exceed the insured balance. The uninsured cash balances at September 30, 2021 and 2020 were \$1,349,908 and \$740,194, respectively.

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

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give for the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 101,510	\$ 81,900
Receivable in one to ten years	-	-
Total promises to give	<u>\$ 101,510</u>	<u>\$ 81,900</u>

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NOTE 5 – INVESTMENTS

Investments in marketable securities stated at fair value consist of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 184,488	\$ 155,511
Stocks	74,891	35,975
	<u>\$ 259,379</u>	<u>\$ 191,486</u>

The following summarizes investment income for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 7,431	\$ 3,144
Net realized/unrealized gains (losses)	28,002	29,054
	<u>\$ 35,433</u>	<u>\$ 32,198</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

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

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

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

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NOTE 6 – FAIR VALUE MEASUREMENTS (Cont'd)

The following table presents assets (Level 1) that are measured at fair value on a recurring basis at September 30, 2021 and 2020:

	2021	2020
Mutual funds	\$ 184,488	\$ 155,511
Stocks	74,891	35,975
	<u>\$ 259,379</u>	<u>\$ 191,486</u>

NOTE 7 – FIXED ASSETS

Building and equipment as of September 30, 2021 and 2020 are as follows:

	2021	2020
Equipment	\$ 77,508	\$ 71,084
Vehicle	110,822	58,726
Building	780,990	738,906
	<u>969,320</u>	<u>868,716</u>
Less: accumulated depreciation	<u>(273,992)</u>	<u>(254,394)</u>
Net property and equipment	<u>\$ 695,328</u>	<u>\$ 614,322</u>

Depreciation expense for the years ended September 30, 2021 and 2020 was \$38,214 and \$39,149, respectively.

During August 2020, the Resource Center building was flooded and suffered significant impairment to the first floor; only the second floor of the structure is available for use (see Note 15).

NOTE 8 – LOAN PAYABLE

The Organization was approved for a \$75,845 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (“SBA”). The loan accrued interest at 1%, but payments were not required to begin for six months after the funding of the loan.

The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan was uncollateralized and fully guaranteed by the Federal government.

In February 2021, the application for the Paycheck Protection Program loan forgiveness was approved. The entire loan amount of \$75,845 has been forgiven and the obligation has

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NOTE 8 – LOAN PAYABLE (Cont'd)

been released by the SBA in full and recognized as revenue in the Statements of Activities for the year ended September 30, 2021.

NOTE 9 – CONTRIBUTIONS IN-KIND

The estimated fair value of donated food, stocks, supplies and expert services are recorded as contributions. In-kind contributions recognized during the years ended September 30, 2021 and 2020, are as follows:

	2021	2020
Food	\$ 869,085	\$ 930,679
Gift cards	\$ 15,731	\$ -
Shares of stocks	37,564	21,510
	<u>\$ 922,380</u>	<u>\$ 952,189</u>

NOTE 10 – BOARD DESIGNATED NET ASSETS

The Board of Directors designated an investment account to be used for the future needs of the Organization as approved by the Board of Directors. The balance assigned to Board Designated Net Assets at September 30, 2021 and 2020 was \$259,379 and \$191,486, respectively.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of September 30, 2021 and 2020 are as follows:

	2021	2020
Emergency services/social work	\$ 99,224	\$ 62,325
Food program	31,860	19,575
Employee scholarships	1,044	-
	<u>\$ 132,128</u>	<u>\$ 81,900</u>

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Cont'd)

Net assets with donor restrictions released during the years ended September 30, 2021 and 2020 are as follows:

	2021	2020
Emergency services/social work	\$ 95,170	\$ 245,513
Food program	19,575	57,525
Getting Ahead Program	-	56,302
Employee scholarships	9,956	-
Capital Improvements	-	150,000
	\$ 124,701	\$ 509,340

NOTE 12 – REVENUE RECOGNITION

Performance Obligations

Revenue and support received for the Organization's special events are comprised of an exchange element based upon the benefits provided to the participants and a contribution element for the portion of the payment received in excess of the participant benefits. The Organization recognizes exchange revenue from its special events at a point in time to which the fundraiser relates. The performance obligation consists of providing participants with access to the special event. Exchange revenues of \$63,777 and \$65,987 from the Organization's special events are reported as special events revenue on the Statement of Activities for the years ended September 30, 2021 and 2020, respectively.

Revenue and support received for the Organization's programs comprise of an exchange element based upon the benefits provided to the participants. The Organization recognizes exchange revenue from its programs over the period of time to which the program relates. The performance obligation consists of providing participants with the program material. Exchange revenues of \$24,302 from the Organization's programs are reported as program revenue on the Statement of Activities for the year ended September 30, 2020.

The Organization does not have any significant payment terms as payment is received before, during or shortly after the contract period or at the point in time of the transaction.

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NOTE 12 – REVENUE RECOGNITION (Cont'd)

Disaggregation of Revenue

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended September 30, 2021 is as follows:

	<u>Point in Time</u>	<u>2021 Over Time</u>	<u>Total</u>
Special events revenue	\$ 63,777	\$ -	\$ 63,777
	<u>\$ 63,777</u>	<u>\$ -</u>	<u>\$ 63,777</u>

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended September 30, 2020 is as follow:

	<u>Point in Time</u>	<u>2020 Over Time</u>	<u>Total</u>
Special events revenue	\$ 65,987	\$ -	\$ 65,987
Program revenue	-	24,302	24,302
	<u>\$ 65,987</u>	<u>\$ 24,302</u>	<u>\$ 90,289</u>

NOTE 13 – RETIREMENT PLAN

The Organization offers a defined contribution retirement plan which qualifies as a SIMPLE IRA. Eligible employees may contribute to the plan a portion of their annual salary through payroll deductions. All full-time employees are eligible to participate in the plan. All Organization contributions are fully vested. For the years ended September 30, 2021 and 2020, the Organization's contributions to the plan totaled \$4,024 and \$3,451, respectively.

NOTE 14 – LEASE AGREEMENT

During the year ended September 30, 2021, the Organization entered into a lease agreement for mobile office space for a 24-month period. The lease agreement requires monthly rental payments of \$699 through March 2023. The lease agreement calls for initial delivery and installation charges as well as final return charges at the end of the lease.

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NOTE 14 – LEASE AGREEMENT (Cont'd)

Future minimum lease payments are summarized as follows:

<u>Year Ended</u> <u>September 30,</u>	
2022	\$ 8,388
2023	<u>7,498</u>
	<u><u>\$ 15,886</u></u>

Total rent expense for the year ended September 30, 2021 was \$23,214.

NOTE 15 – COVID-19 IMPACT

In December 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) that has spread to countries around the world, including the United States of America. On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 19, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every “non-life sustaining” business through June 26, 2020.

The Organization was considered a life sustaining business and able to continue operations. The Organization implemented procedures to operate virtually and in person as deemed necessary following applicable guidelines. Future potential impacts may include continued disruptions or restrictions on the employees’ ability to work and impairment of the ability to obtain contributions and volunteers. The future effects of these issues are unknown.

NOTE 16 – BUILDING DAMAGE

In October 2019, there was a fire in the Organization’s food cupboard building. The Organization submitted an insurance claim and continued operations on the sidewalk. After a brief period of disruption and smoke clean-up, the building was placed back in service.

In August 2020, there was a severe flood in the Resource Center building. The Organization again submitted an insurance claim and used temporary trailers to continue operations. The Organization’s programs were curtailed or modified since clients were not able to access the building. The Organization continues to work in temporary trailers.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020****NOTE 17 – ASSET IMPAIRMENT**

It was determined that the August 2020 flood made the first floor of the Resource Center building uninhabitable. The property was subsequently appraised at \$176,000 in its current condition. There are no plans to further remediate the building outside of its immediate needs. The Organization recognized a casualty loss of \$301,016 for the year ended September 30, 2020.

NOTE 18 – LAND DONATION

During year ended September 30, 2020, the Organization was offered a donation of a plot of land which can be developed to suit the Organization's needs. During the year ended September 30 2021, the Organization conducted studies to determine whether to accept the donation of land for the building of a replacement facility. Subsequent to year end the study was concluded and board voted to accept the donation. Funds expended for the study were capitalized at September 30, 2021.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Kennett Area Community Service (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kennett Area Community Service's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kennett Area Community Service's internal control. Accordingly, we do not express an opinion on the effectiveness of Kennett Area Community Service's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Umbreit, Wilczek & Associates, P.C.

January 27, 2022
Kennett Square, PA



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

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

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

In planning for our audit of the financial statements of Kennett Area Community Service as of and for the year ended September 30, 2021 in accordance with standards generally accepted in the United States of America and in accordance with Government Auditing Standards, we considered the Organization's internal control over financial reporting as a basis for designing our audit procedures and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

No Management letter was issued in connection with the audit of Kennett Area Community Service as of and for the year ended September 30, 2021.

Umbreit, Wilczek & Associates, P.C.

Kennett Square, PA
January 27, 2022