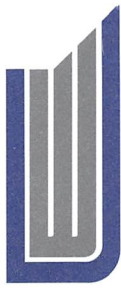




**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Kennett Area Community Service (a nonprofit corporation), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022 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.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kennett Area Community Service and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kennett Area Community Service's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kennett Area Community Service's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kennett Area Community Service's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024, 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.

January 18, 2024
Kennett Square, Pennsylvania

KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2023 AND 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,365,687 | \$ 1,610,978 |
| Gift cards on hand | 3,231 | 4,743 |
| Grants receivable | 119,091 | 384,279 |
| Promises to give | 190,275 | 110,986 |
| Inventory | 39,483 | 15,084 |
| Prepaid expenses | 42,641 | 44,092 |
| TOTAL CURRENT ASSETS | 2,760,408 | 2,170,162 |
| Grants receivable, net of current | 94,383 | - |
| Promises to give, net of current | 15,000 | - |
| Investments | - | 237,467 |
| Property and equipment, net | 1,737,569 | 1,269,323 |
| TOTAL ASSETS | \$ 4,607,360 | \$ 3,676,952 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 25,153 | \$ 30,461 |
| Accrued expenses | 80,557 | 62,501 |
| TOTAL LIABILITES | 105,710 | 92,962 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 1,945,670 | 1,862,160 |
| Board designated | 1,750,793 | 1,238,281 |
| Total net assets without donor restrictions | 3,696,463 | 3,100,441 |
| With donor restrictions | 805,187 | 483,549 |
| TOTAL NET ASSETS | 4,501,650 | 3,583,990 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,607,360 | \$ 3,676,952 |

See Independent Auditors' Report and Notes to Financial Statements

KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | 2023 Total |
|--|-------------------------------|----------------------------|-----------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 1,167,313 | \$ 565,000 | \$ 1,732,313 |
| In-kind donations | 1,761,685 | - | 1,761,685 |
| Government support | 371,795 | - | 371,795 |
| Grants | 208,500 | 272,320 | 480,820 |
| Fundraising events, net of expenses of \$28,104 | 64,713 | - | 64,713 |
| Net insurance proceeds | 2,614 | - | 2,614 |
| Employee Retention Credit | 373,782 | - | 373,782 |
| Miscellaneous income | 7,393 | - | 7,393 |
| Investment income, net | 91,500 | - | 91,500 |
| Net assets released from restrictions | 515,682 | (515,682) | - |
| TOTAL SUPPORT AND REVENUE | 4,564,977 | 321,638 | 4,886,615 |
| EXPENSES | | | |
| Program services | 3,343,616 | - | 3,343,616 |
| Management and general | 351,859 | - | 351,859 |
| Fundraising | 273,480 | - | 273,480 |
| TOTAL EXPENSES | 3,968,955 | - | 3,968,955 |
| CHANGE IN NET ASSETS | 596,022 | 321,638 | 917,660 |
| NET ASSETS - BEGINNING OF YEAR | 3,100,441 | 483,549 | 3,583,990 |
| NET ASSETS - END OF YEAR | \$ 3,696,463 | \$ 805,187 | \$ 4,501,650 |

KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | 2022 Total |
|--|-------------------------------|----------------------------|-----------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 1,383,710 | \$ - | \$ 1,383,710 |
| In-kind donations | 1,639,965 | - | 1,639,965 |
| Government support | 221,776 | 384,279 | 606,055 |
| Grants | 83,500 | 142,360 | 225,860 |
| Fundraising events, net of expenses of \$43,917 | 68,273 | - | 68,273 |
| Net insurance proceeds | 754 | - | 754 |
| Miscellaneous income | 338 | - | 338 |
| Investment income, net | (60,112) | - | (60,112) |
| Net assets released from restrictions | 175,218 | (175,218) | - |
| TOTAL SUPPORT AND REVENUE | 3,513,422 | 351,421 | 3,864,843 |
| EXPENSES | | | |
| Program services | 2,496,097 | - | 2,496,097 |
| Management and general | 262,742 | - | 262,742 |
| Fundraising | 174,234 | - | 174,234 |
| TOTAL EXPENSES | 2,933,073 | - | 2,933,073 |
| CHANGE IN NET ASSETS | 580,349 | 351,421 | 931,770 |
| NET ASSETS - BEGINNING OF YEAR | 2,520,092 | 132,128 | 2,652,220 |
| NET ASSETS - END OF YEAR | \$ 3,100,441 | \$ 483,549 | \$ 3,583,990 |

KENNETT AREA COMMUNITY SERVICE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Program Services | | | | Total Program Services | Management and General | Fundraising | Total |
|-----------------------------------|---------------------|---------------------|---------------------------|----------------------|---------------------------------------|---------------------------|-------------------|---------------------|
| | Food Program | Social Work | Bridges Out of Poverty | Community Housing | | | | |
| COMPENSATION RELATED | | | | | | | | |
| Salaries | \$ 147,119 | \$ 436,528 | \$ 53,869 | \$ 61,173 | \$ 698,689 | \$ 219,280 | \$ 160,130 | \$ 1,078,099 |
| Employee benefits | 16,615 | 49,299 | 6,083 | 6,909 | 78,906 | 24,764 | 18,084 | 121,754 |
| Payroll taxes | 12,158 | 36,075 | 4,452 | 5,055 | 57,740 | 18,121 | 13,233 | 89,094 |
| TOTAL COMPENSATION RELATED | 175,892 | 521,902 | 64,404 | 73,137 | 835,335 | 262,165 | 191,447 | 1,288,947 |
| | | | | | | | | |
| Aid to families | - | 380,168 | - | - | 380,168 | - | - | 380,168 |
| Bank and credit card fees | - | - | - | - | - | 7,460 | - | 7,460 |
| Consulting | 4,797 | 6,110 | - | - | 10,907 | 1,693 | 225 | 12,825 |
| Depreciation | 8,551 | 25,372 | 3,131 | 3,555 | 40,609 | 2,833 | 3,778 | 47,220 |
| Donated food | 1,724,278 | - | - | - | 1,724,278 | - | - | 1,724,278 |
| Educational Scholarships | 1,313 | 1,312 | - | - | 2,625 | 4,225 | - | 6,850 |
| Insurance | 14,591 | 13,222 | - | - | 27,813 | 4,559 | - | 32,372 |
| Maintenance | 5,786 | 17,168 | 2,119 | 2,406 | 27,479 | 1,917 | 2,555 | 31,951 |
| Office expense | 19,080 | 15,255 | 2,617 | 1,027 | 37,979 | 14,177 | 9,119 | 61,275 |
| Outreach and marketing | 15,684 | 14,056 | 35 | 1,207 | 30,982 | 6,127 | 5,312 | 42,421 |
| Professional fees | 16,327 | 17,052 | - | 1,943 | 35,322 | 44,515 | 54,676 | 134,513 |
| Program expenses | - | - | 8,804 | - | 8,804 | - | - | 8,804 |
| Purchased food | 143,539 | - | - | - | 143,539 | - | - | 143,539 |
| Rent | 1,908 | 5,660 | 698 | 793 | 9,059 | 632 | 843 | 10,534 |
| Tax and licenses | 2,876 | 106 | - | - | 2,982 | 37 | 3,500 | 6,519 |
| Telephone | 1,810 | 5,372 | 663 | 752 | 8,597 | 600 | 800 | 9,997 |
| Travel | 1,767 | 1,913 | 291 | - | 3,971 | - | - | 3,971 |
| Utilities | 2,773 | 8,227 | 1,015 | 1,152 | 13,167 | 919 | 1,225 | 15,311 |
| TOTAL EXPENSES | \$ 2,140,972 | \$ 1,032,895 | \$ 83,777 | \$ 85,972 | \$ 3,343,616 | \$ 351,859 | \$ 273,480 | \$ 3,968,955 |

KENNETT AREA COMMUNITY SERVICE

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| | Program Services | | | Total Program Services | Management and General | Fundraising | Total |
|-----------------------------------|---------------------|-------------------|---------------------------|---------------------------------------|---------------------------|-------------------|---------------------|
| | Food Program | Social Work | Bridges Out of Poverty | | | | |
| COMPENSATION RELATED | | | | | | | |
| Salaries | \$ 174,503 | \$ 316,295 | \$ 49,133 | \$ 539,931 | \$ 173,441 | \$ 113,638 | \$ 827,010 |
| Employee benefit | 18,334 | 33,232 | 5,162 | 56,728 | 18,223 | 11,939 | 86,890 |
| Payroll taxes | 14,960 | 27,117 | 4,212 | 46,289 | 14,869 | 9,743 | 70,901 |
| TOTAL COMPENSATION RELATED | 207,797 | 376,644 | 58,507 | 642,948 | 206,533 | 135,320 | 984,801 |
| Aid to families | - | 359,629 | - | 359,629 | - | - | 359,629 |
| Bank and credit card fees | - | 49 | - | 49 | 8,857 | 40 | 8,946 |
| Consulting | 5,811 | 5,934 | - | 11,745 | 1,887 | 14,236 | 27,868 |
| Depreciation | 10,621 | 19,252 | 2,991 | 32,864 | 2,293 | 3,057 | 38,214 |
| Donated food | 1,120,192 | - | - | 1,120,192 | - | - | 1,120,192 |
| Educational Scholarships | 3,970 | 1,276 | 7,107 | 12,353 | - | 3,682 | 16,035 |
| Insurance | 12,294 | 12,294 | - | 24,588 | 5,623 | 44 | 30,255 |
| Maintenance | 11,646 | 21,109 | 3,279 | 36,034 | 2,514 | 3,352 | 41,900 |
| Office expense | 26,914 | 21,291 | 2,027 | 50,232 | 8,623 | 2,465 | 61,320 |
| Outreach and marketing | 11,632 | 13,886 | 102 | 25,620 | 4,807 | 8,892 | 39,319 |
| Professional fees | 19,776 | 19,776 | 2,500 | 42,052 | 12,019 | - | 54,071 |
| Program expenses | 29 | - | 18,177 | 18,206 | - | - | 18,206 |
| Purchased food | 72,939 | 7,796 | - | 80,735 | 299 | - | 81,034 |
| Rent | 4,978 | 9,022 | 1,402 | 15,402 | 1,074 | 1,433 | 17,909 |
| Tax and licenses | 216 | 206 | - | 422 | 6,927 | - | 7,349 |
| Telephone | 2,178 | 3,948 | 613 | 6,739 | 470 | 628 | 7,837 |
| Travel | 2,912 | 1,515 | 194 | 4,621 | 2 | - | 4,623 |
| Utilities | 3,770 | 6,834 | 1,062 | 11,666 | 814 | 1,085 | 13,565 |
| TOTAL EXPENSES | \$ 1,517,675 | \$ 880,461 | \$ 97,961 | \$ 2,496,097 | \$ 262,742 | \$ 174,234 | \$ 2,933,073 |

See Independent Auditors' Report and Notes to Financial Statements

KENNETT AREA COMMUNITY SERVICE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 917,660 | \$ 931,770 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 47,220 | 38,214 |
| Donated stock | (50,061) | (44,381) |
| Donation of land | - | (537,321) |
| Realized and unrealized (gain) loss on investments | (24,702) | 70,317 |
| (Increase) decrease in operating assets: | | |
| Gift cards on hand | 1,512 | (2,511) |
| Grants receivable | 170,805 | (360,221) |
| Promises to give | (94,289) | (9,476) |
| Inventory | (24,399) | 17,549 |
| Prepaid expenses | 1,451 | (33,355) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (5,308) | 1,534 |
| Accrued expenses | 18,056 | 10,479 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 957,945 | 82,598 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of equipment | (78,435) | - |
| Purchase of building and renovations | (437,032) | (74,888) |
| Proceeds from sale of investments | 749,980 | 1,000,814 |
| Purchase of investments | (437,749) | (1,004,838) |
| NET CASH USED BY INVESTING ACTIVITIES | (203,236) | (78,912) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 754,709 | 3,686 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 1,610,978 | 1,607,292 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 2,365,687 | \$ 1,610,978 |

See Independent Auditors' Report and Notes to Financial Statements

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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.

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.

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

Community Housing Development – to develop an inventory of safe and well-maintained affordable housing and provide the case management and social support so tenants can get stabilized and rise up and out of poverty.

During the year ended September 30, 2023, the Board of Directors formed an LLC for the purpose of purchasing and owning certain real estate for the Organization's Community Housing Development program. The Organization is the LLC's sole member and investor. The Organization holds all rights relating to appointing officers of the LLC and decision-making of any sales or purchases of assets and/or liabilities of the LLC.

Basis of Accounting

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

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022****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.

Grants Receivable

Grants receivable consists of monies awarded by government entities to the Organization. The Chester County Department of Community Development grants support the Organization's efforts in homeless prevention and emergency and food services for the local community. Amounts recognized in the financial statements represent outstanding amounts due for cost reimbursement forms submitted by the Organization. American Rescue Plan Act grants support food services and various renovation projects, and are paid in installments. The Organization considers the grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**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 and other nonprofit organizations in support of the Organization's efforts surrounding both emergency service and the food cupboard. Amounts recognized in the financial statements represent amounts due on the monies granted. Payments on United Way grants are usually remitted on a quarterly basis.

Allowance for Doubtful Accounts

The Organization estimates that all of its promises to give are collectible; accordingly, there is no provision for an allowance for doubtful accounts. If amounts become uncollectible, they will be charged to operations when that determination is made. As of September 30, 2023 and 2022, the Organization has deemed all monies owed collectible.

Inventory

Inventory consists of food received from various government agencies, public donations, and direct purchases. Inventory at September 30, 2023 and 2022 is valued at \$1.92 and \$1.79 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, 2022 and 2021 independently audited financial statements and are available on their website.

Investments

Investments in marketable securities with readily determinable fair values are carried at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements over \$1,000 are capitalized while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed. Depreciation is computed under the straight-line method over the estimated useful lives of the assets of 5 to 39 years.

Revenue Recognition

Contributions, bequests, and gifts are recognized on receipt and formal acceptance by the Organization. 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 activity resulting in contracts with customers is revenue from fundraising events.

The Organization recognizes revenue from fundraising events in the period the goods and services are provided. The performance obligation related to fundraising events is to provide the customer with the access to the event on a specified date. The transaction price is based on published rates.

Because the benefits received from fundraising 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.

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.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**In-Kind Donations

Donated food for the years ended September 30, 2023 and 2022 was valued at \$1.92 and \$1.79 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. 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.

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization. Accounting standards require that only volunteer services that (1) create or enforce long-lived assets or (2) require specialized skills provided by individuals possessing skills that would typically need to be purchased if not donated must be recorded. The value of these services does not meet these requirements. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort have not been satisfied.

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 is \$10 per hour and is based on the current hourly rate commonly recognized in nonprofit organizations for non-technical volunteers. For the years ended September 30, 2023 and 2022, donated services totaled \$102,250 and \$65,543, respectively. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied.

Advertising

Advertising costs are expensed when incurred. Advertising costs for the years ended September 30, 2023 and 2022 totaled \$42,421 and \$39,319, respectively.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the lease payments over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Leases (Cont'd)*Recently adopted accounting standards*

In the year ended September 30, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (September 30, 2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized no operating lease right-of-use assets nor operating lease liabilities in its statement of financial position as of September 30, 2023. The adoption did not result in any material effect on amounts reported in the accompanying financial statements.

The FASB issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*. Adoption of these ASUs runs concurrent with the Organization's adoption of ASU 2016-02.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements 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 lease expenses to provide a support network for those families in need of food services. Fundraising expenses are costs related to campaigns, development, grant writing and other fundraising efforts. Management and general expenses are costs directly related to the over-all operation of the Organization, which are not associated with program or fundraising 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.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization is not a private foundation.

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the 2022 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Date of Management's Review

Management has evaluated those events and transactions that occurred after the statement of financial position date of September 30, 2023 through January 18, 2024, the date the financial statements were available to be issued and determined there were no other items to be disclosed.

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of September 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditures such as operating expenses are as follows:

| | 2023 | 2022 |
|--|--------------|--------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 2,365,687 | \$ 1,610,978 |
| Gift cards on hand | 3,231 | 4,743 |
| Grants receivable | 77,143 | - |
| Promises to give | 190,275 | 110,986 |
| Less: donor restricted financial assets | (2,201) | - |
| Total financial assets available within one year | \$ 2,634,135 | \$ 1,726,707 |

The Organization's cash flows have seasonal variations during the year attributable to the timing of contributions received. To manage liquidity, the Organization maintains credit card accounts with a local financial institution that may be used as needed during the year to manage cash flows.

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several financial institutions. These balances are insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation up to \$250,000. At times, deposits may be in excess of the insured amount. Cash balances in excess of insured amounts at September 30, 2023 and 2022 were \$1,902,833 and \$1,156,989, respectively. The Organization monitors credit worthiness of the institutions with which it invests.

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give for the years ended September 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|----------------------------------|-------------------|-------------------|
| Receivable in less than one year | \$ 190,275 | \$ 110,986 |
| Receivable in one to ten years | 15,000 | - |
| Total promises to give | <u>\$ 205,275</u> | <u>\$ 110,986</u> |

NOTE 5 – INVESTMENTS

As of September 30, 2023 and 2022, investments stated at fair value consisted of the following:

| | 2023 | 2022 |
|--------------|-------------|-------------------|
| Mutual funds | \$ - | \$ 53,538 |
| Stocks | - | 183,929 |
| | <u>\$ -</u> | <u>\$ 237,467</u> |

During the year ended September 30, 2023, all investments were liquidated to a money market account. The balance of the money market account at September 30, 2023 was \$1,750,793.

Investment income for the years ended September 30, 2023 and 2022 is summarized as follows:

| | 2023 | 2022 |
|--|------------------|--------------------|
| Interest and dividends | \$ 66,798 | \$ 10,205 |
| Net realized/unrealized gains (losses) | 24,702 | (70,317) |
| | <u>\$ 91,500</u> | <u>\$ (60,112)</u> |

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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 market 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.
- Level 3 – Significant unobservable inputs for the asset or liability.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

There were no investments measured at fair value on a recurring basis at September 30, 2023.

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2022:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------|-------------------|----------------|----------------|-------------------|
| Mutual funds | \$ 53,538 | \$ - | \$ - | \$ 53,538 |
| Stocks | 183,929 | - | - | 183,929 |
| | <u>\$ 237,467</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 237,467</u> |

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2023 and 2022 consist of the following:

| | 2023 | 2022 |
|--------------------------------|--------------|--------------|
| Equipment | \$ 77,508 | \$ 77,508 |
| Vehicle | 189,257 | 110,822 |
| Land | 546,550 | 546,550 |
| Building | 980,132 | 785,967 |
| Construction in progress | 303,548 | 60,682 |
| | 2,096,995 | 1,581,529 |
| Less: accumulated depreciation | (359,426) | (312,206) |
| Net property and equipment | \$ 1,737,569 | \$ 1,269,323 |

Depreciation expense for the years ended September 30, 2023 and 2022 was \$47,220 and \$38,214, respectively.

In August 2020, the Resource Center building was flooded and suffered significant impairment to the first floor; only the second floor of the structure was available for use. During February 2023, renovations of \$177,905 were completed for total usage of the building (see Note 17).

NOTE 8 – FUTURE BUILDING

During the year ended September 30, 2022, the board accepted a donation of land which will be developed to suit the Organization's needs. The land donation was capitalized at \$537,321. Funds expended for studies, professional services, and the development of the new building were capitalized at September 30, 2023 and 2022 as construction in progress in the amounts of \$242,867 and \$44,253, respectively.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2023 and 2022 were as follows:

| | 2023 | 2022 |
|----------------------------------|------------|------------|
| Emergency services/social work | \$ 79,410 | \$ 52,810 |
| Capital building and renovations | 429,335 | 216,486 |
| Food program | 205,442 | 199,253 |
| Getting Ahead program | 6,000 | - |
| Promises to give | 85,000 | 15,000 |
| | \$ 805,187 | \$ 483,549 |

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS (Cont'd)

Net assets with donor restrictions released during the years ended September 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|----------------------------------|-------------------|-------------------|
| Emergency services/social work | \$ 79,280 | \$ 127,314 |
| Capital building and renovations | 307,151 | - |
| Food program | 104,251 | 31,860 |
| Employee scholarships | - | 1,044 |
| Promises to give | 25,000 | 15,000 |
| | <u>\$ 515,682</u> | <u>\$ 175,218</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, 2023 and 2022 was \$1,750,793 and \$1,238,281, respectively.

NOTE 11 –IN-KIND DONATIONS

In-kind donations received and recorded as contributions consist of the following at September 30, 2023:

| | Program Services | Administration | Fundraising | Total |
|-------------------|---------------------|-----------------|-------------|---------------------|
| Food | \$ 1,746,551 | \$ - | \$ - | \$ 1,746,551 |
| Office expenses | - | 1,330 | - | 1,330 |
| Professional fees | - | 8,168 | - | 8,168 |
| Program materials | 5,636 | - | - | 5,636 |
| | <u>\$ 1,752,187</u> | <u>\$ 9,498</u> | <u>\$ -</u> | <u>\$ 1,761,685</u> |

In-kind donations received and recorded as contributions consist of the following at September 30, 2022:

| | Program Services | Administration | Fundraising | Total |
|------|---------------------|----------------|-------------|---------------------|
| Food | \$ 1,102,644 | \$ - | \$ - | \$ 1,102,644 |
| Land | 537,321 | - | - | 537,321 |
| | <u>\$ 1,639,965</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,639,965</u> |

KENNETT AREA COMMUNITY SERVICE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 12 – REVENUE RECOGNITION

Performance Obligations

Revenue and support received for the Organization’s fundraising 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 fundraising events at a point in time to which the fundraiser relates. The performance obligation consists of providing participants with access to the fundraising event. Exchange revenues from the Organization’s fundraisers are reported as fundraising events in the statements of activities.

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

Disaggregation of Revenue

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended September 30, 2023 is as follows:

| | <u>Point in Time</u> | <u>Over Time</u> | <u>Total</u> |
|--------------------|----------------------|------------------|------------------|
| Fundraising events | <u>\$ 92,817</u> | <u>\$ -</u> | <u>\$ 92,817</u> |

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended September 30, 2022 is as follow:

| | <u>Point in Time</u> | <u>Over Time</u> | <u>Total</u> |
|--------------------|----------------------|------------------|-------------------|
| Fundraising events | <u>\$ 112,190</u> | <u>\$ -</u> | <u>\$ 112,190</u> |

NOTE 13 – EMPLOYEE RETENTION CREDIT

During the year ended September 30, 2023, the Organization applied for the Employee Retention Credit (ERC), a refundable credit against certain payroll taxes established by the CARES Act, for multiple payroll quarters of 2020 and 2021. The amount received under the ERC for the year ended September 30, 2023 was \$373,782.

NOTE 14 – MAJOR DONOR

The Organization received funding representing more than 10% of its total revenue from one donor, approximately 10% and 14%, respectively, for the years ended September 30, 2023 and 2022.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022****NOTE 15 – 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, 2023 and 2022, the Organization's contributions to the plan totaled \$14,542 and \$12,684, respectively.

NOTE 16 – LEASE COMMITMENTS

The Organization evaluated current contracts to determine which met the criteria of a lease. An operating lease right-of-use (ROU) asset represents the Organization's right to use underlying assets for the lease term, and an operating lease liability represents the Organization's obligation to make lease payments arising from these leases. The Organization held no contracts at year end which met the criteria of a lease.

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 required monthly rental payments of \$699. The lease agreement called for initial delivery and installation charges as well as final return charges at the end of the lease. The lease expired in March 2023 and was not renewed.

Total lease expense for the years ended September 30, 2023 and 2022 not subject to recognition under ASU No. 2016-02, *Leases (Topic 842)*, was \$10,534 and \$17,909, respectively.

NOTE 17 – BUILDING DAMAGE

In August 2020, there was a severe flood in the Resource Center building. The Organization submitted an insurance claim and used mobile office space to continue operations. The Organization's programs were curtailed or modified since clients were not able to access the building. During the years ended September 30, 2022 and 2021, the Organization continued to work in mobile offices with modified programs.

During the year ended September 30, 2022, the Organization was awarded a \$384,279 American Rescue Plan Act grant, \$216,486 of which was restricted to renovations of the Resource Center and food cupboard, which has suffered several instances of flood damage since August 2020 as well.

During the year ended September 30, 2023, approximately 99% of this restricted grant was expended for its purpose. The Organization was able to move offices and operations back into the Resource Center in March 2023.

KENNETT AREA COMMUNITY SERVICE**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022****NOTE 18 – SUBSEQUENT EVENT**

In November 2023, the Organization received a donation of a single-family home intended for use as a rental property. The donated property was appraised in September 2023 with an approximate value of \$295,000. The Organization acknowledges this asset as its inaugural property in an initiative to address the affordable housing crisis in the local community. The Organization's strategy involves acquiring housing and providing it to the local community at rental rates that are both affordable and sustainable. This initiative represents the Organization's commitment to community service and its dedication to fostering accessible housing solutions. The receipt of this donation will be reflected in the financial statements for the year ended September 30, 2024.



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, 2023, 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 18, 2024.

Report on 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) as a basis for designing 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.

Report on 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 18, 2024
Kennett Square, PA



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

Timothy D. Umbreit, CPA, CGMA
Kathleen A. Wileczek, 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, 2023 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, 2023.

Umbreit, Wileczek & Associates, P.C.

Kennett Square, PA
January 18, 2024