



**AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2024 AND 2023**

CONTENTS

Independent Auditor's Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
Report on Internal Control and Compliance	23



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Kennett Area Community Service (a nonprofit corporation) and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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 and Subsidiary as of September 30, 2024 and 2023, 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 Subsidiary 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 and Subsidiary'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 and Subsidiary'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 and Subsidiary'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 22, 2025, on our consideration of Kennett Area Community Service and Subsidiary'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 and Subsidiary's internal control over financial reporting and compliance.

Umbreit, Wilczek & Associates, P. C.

January 22, 2025
Kennett Square, Pennsylvania

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,244,770	\$ 2,365,687
Gift cards on hand	6,748	3,231
Grants receivable	48,189	119,091
Promises to give, net	461,716	190,275
Inventory	51,844	39,483
Prepaid expenses	3,357	42,641
TOTAL CURRENT ASSETS	4,816,624	2,760,408
Grants receivable, net of current	52,435	94,383
Promises to give, net of current	407,737	15,000
Property and equipment, net	3,218,028	1,737,569
TOTAL ASSETS	\$ 8,494,824	\$ 4,607,360
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 24,043	\$ 25,153
Accrued expenses	89,766	80,557
TOTAL LIABILITES	113,809	105,710
NET ASSETS		
Without donor restrictions		
Undesignated	2,045,900	1,945,670
Board designated	3,630,142	1,750,793
Total net assets without donor restrictions	5,676,042	3,696,463
With donor restrictions	2,704,973	805,187
TOTAL NET ASSETS	8,381,015	4,501,650
TOTAL LIABILITIES AND NET ASSETS	\$ 8,494,824	\$ 4,607,360

See Independent Auditor's Report and Notes to Consolidated Financial Statements

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	2024 Total
SUPPORT AND REVENUE			
Contributions	\$ 1,801,581	\$ 1,593,435	\$ 3,395,016
In-kind donations	3,300,318	-	3,300,318
Government support	277,824	-	277,824
Grants	23,284	884,880	908,164
Housing program fees	23,047	-	23,047
Fundraising events, net of expenses of \$76,279	125,976	-	125,976
Net insurance proceeds	734	-	734
Miscellaneous income	2,421	-	2,421
Investment income, net	130,199	-	130,199
Net assets released from restrictions	578,529	(578,529)	-
TOTAL SUPPORT AND REVENUE	6,263,913	1,899,786	8,163,699
EXPENSES			
Program services	3,575,725	-	3,575,725
Management and general	382,593	-	382,593
Fundraising	326,016	-	326,016
TOTAL EXPENSES	4,284,334	-	4,284,334
CHANGE IN NET ASSETS	1,979,579	1,899,786	3,879,365
NET ASSETS - BEGINNING OF YEAR	3,696,463	805,187	4,501,650
NET ASSETS - END OF YEAR	\$ 5,676,042	\$ 2,704,973	\$ 8,381,015

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

**CONSOLIDATED 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	<u>4,564,977</u>	<u>321,638</u>	<u>4,886,615</u>
EXPENSES			
Program services	3,343,616	-	3,343,616
Management and general	351,859	-	351,859
Fundraising	273,480	-	273,480
TOTAL EXPENSES	<u>3,968,955</u>	<u>-</u>	<u>3,968,955</u>
CHANGE IN NET ASSETS	596,022	321,638	917,660
NET ASSETS - BEGINNING OF YEAR	<u>3,100,441</u>	<u>483,549</u>	<u>3,583,990</u>
NET ASSETS - END OF YEAR	<u>\$ 3,696,463</u>	<u>\$ 805,187</u>	<u>\$ 4,501,650</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Program Services				Total Program Services	Management and General	Fundraising	2024 Total
	Food Cupboard	Emergency Assistance	Community Education	Community Housing				
COMPENSATION RELATED								
Salaries	\$ 247,797	\$ 375,400	\$ 69,478	\$ 72,733	\$ 765,408	\$ 257,046	\$ 191,209	\$ 1,213,663
Payroll taxes	20,604	31,213	5,777	6,048	63,642	21,372	15,898	100,912
Employee benefits	25,862	39,179	7,251	7,591	79,883	26,827	19,956	126,666
TOTAL COMPENSATION RELATED	294,263	445,792	82,506	86,372	908,933	305,245	227,063	1,441,241
Aid to families	-	281,860	-	-	281,860	-	-	281,860
Bank and credit card fees	-	-	-	-	-	14,100	-	14,100
Capital campaign	-	-	-	-	-	-	1,384	1,384
Consulting	5,065	5,328	-	-	10,393	1,801	-	12,194
Depreciation	20,989	31,742	11,712	334	64,777	4,523	6,031	75,331
Donated food	2,011,107	-	-	-	2,011,107	-	-	2,011,107
Insurance	17,108	16,143	-	3,396	36,647	5,761	-	42,408
Interest	-	-	-	-	-	468	-	468
Lease	1,381	2,092	771	22	4,266	297	397	4,960
Maintenance	9,629	14,588	5,373	819	30,409	2,075	2,767	35,251
Office expense	17,167	10,087	11,547	2,789	41,590	12,230	-	53,820
Outreach and marketing	7,570	8,098	183	868	16,719	5,120	15,663	37,502
Professional fees	2,524	6,387	-	7,263	16,174	29,461	70,855	116,490
Program expenses	-	-	23,307	-	23,307	-	-	23,307
Purchased food	102,232	-	-	-	102,232	-	-	102,232
Tax and licenses	117	106	36	2,406	2,665	78	-	2,743
Telephone	2,496	3,781	1,393	40	7,710	538	717	8,965
Travel	3,326	1,148	216	-	4,690	42	-	4,732
Utilities	3,964	6,007	2,212	63	12,246	854	1,139	14,239
TOTAL EXPENSES	\$ 2,498,938	\$ 833,159	\$ 139,256	\$ 104,372	\$ 3,575,725	\$ 382,593	\$ 326,016	\$ 4,284,334

See Independent Auditor's Report and Notes to Consolidated Financial Statements

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Program Services				Total Program Services	Management and General	Fundraising	2023 Total
	Food Cupboard	Emergency Assistance	Community Education	Community Housing				
COMPENSATION RELATED								
Salaries	\$ 147,119	\$ 436,528	\$ 53,869	\$ 61,173	\$ 698,689	\$ 219,280	\$ 160,130	\$ 1,078,099
Payroll taxes	12,158	36,075	4,452	5,055	57,740	18,121	13,233	89,094
Employee benefits	16,615	49,299	6,083	6,909	78,906	24,764	18,084	121,754
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
Lease	1,908	5,660	698	793	9,059	632	843	10,534
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
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

See Independent Auditor's Report and Notes to Consolidated Financial Statements

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,879,365	\$ 917,660
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	75,331	47,220
Donated stock	(262,843)	(50,061)
Donation of fixed assets	(1,276,851)	-
Change in allowance for collection losses	34,988	-
Realized and unrealized (gain) loss on investments	226	-
(Increase) decrease in operating assets:		
Gift cards on hand	(3,517)	1,512
Grants receivable	112,850	170,805
Promises to give	(699,166)	(94,289)
Inventory	(12,361)	(24,399)
Prepaid expenses	39,284	1,451
Increase (decrease) in operating liabilities:		
Accounts payable	(1,110)	(5,308)
Accrued expenses	9,209	18,056
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,895,405	982,647
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(17,583)	(78,435)
Purchase of building and renovations	(261,356)	(437,032)
Proceeds from sale of investments	262,617	287,529
NET CASH USED BY INVESTING ACTIVITIES	(16,322)	(227,938)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,879,083	754,709
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,365,687	1,610,978
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,244,770	\$ 2,365,687

See Independent Auditor's Report and Notes to Consolidated Financial Statements

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Kennett Area Community Service (the “Organization”) 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.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization and Chartwell Street, LLC (the “LLC”). All significant inter-organization transactions have been eliminated during consolidation.

During the year ended September 30, 2023, the Board of Directors formed the 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.

Programs

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.

Community Education – 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.

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**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.

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 statements 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.

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Grants Receivable

Grants receivable consists of monies awarded by government entities to the Organization. The Chester County Department of Community Development grants support to 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.

Promises to Give

Unconditional promises to give are recognized as revenues at estimated fair value in the period in which notification of such promise is received. Unconditional promises to give expected to be collected in less than one year are recorded at their net realizable value. Unconditional promises to give due in more than one year are recorded at the present value of estimated future cash flows using a risk-free rate of return on the date of donation. 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, the government, and other local businesses and individuals in support of the Organization's emergency service and food cupboard programs. Also included are promises to give towards the Organization's capital campaign for a new building. Amounts recognized in the financial statements represent amounts due on the monies granted and promised. Payments on United Way grants are usually remitted on a quarterly basis.

Allowance for Doubtful Accounts

Promises to give are stated net of allowance for uncollectible promises. Allowances for uncollectible promises are reviewed and estimated by management annually. The provision is applied to the remaining outstanding promises of the capital campaign. Promises to give related to the capital campaign that have not been realized within a year after the scheduled payment are determined to be uncollectible and are written off against the allowance.

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Inventory

Inventory consists of food received from various government agencies, public donations, and direct purchases. At September 30, 2024 and 2023, inventory is valued at \$1.93 and \$1.92 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, 2023 and 2022 independently audited financial statements and are available on their website.

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.

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**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 statements 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.

Donated Materials and Services

Donated materials and services are recorded at their estimated fair value as of the date of the donation.

Donated food for the years ended September 30, 2024 and 2023 was valued at \$1.93 and \$1.92 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.

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, 2024 and 2023, donated services totaled \$131,860 and \$102,250, respectively.

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 for these services have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort have not been satisfied.

Advertising

Advertising costs are expensed when incurred. Advertising costs for the years ended September 30, 2024 and 2023 totaled \$37,502 and \$42,421, respectively.

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**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.

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.

Recently adopted accounting standards

In June 2016, the FASB issued guidance (FASB ASC 326), Current Expected Credit Losses, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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

Recently adopted accounting standards (Cont'd)

The Organization adopted the standard effective October 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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 2023 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, 2024 through January 22, 2025, 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, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 4,244,770	\$ 2,365,687
Gift cards on hand	6,748	3,231
Grants receivable	48,189	119,091
Promises to give	461,716	190,275
Less: donor restricted financial assets	<u>(2,188,145)</u>	<u>(44,149)</u>
Total financial assets available within one year	<u>\$ 2,573,278</u>	<u>\$ 2,634,135</u>

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Cont'd)

As of September 30, 2024 and 2023, the Organization had \$2,573,278 and \$2,634,135, respectively, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures, respectively. 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. Management evaluates, at least annually, any additional investment or designated reserve options for excess liquidity, based on expected operations.

NOTE 3 - CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

The Organization maintains cash balances at several financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) 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, 2024 and 2023 were \$3,753,662 and \$1,902,833, respectively. The Organization monitors credit worthiness of the institutions with which it invests.

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at September 30, 2024 and 2023:

	2024	2023
Promises to give	\$ 904,441	\$ 205,275
Allowance for uncollectible promises	(34,988)	-
	<u>\$ 869,453</u>	<u>\$ 205,275</u>

Promises to give were due as follows at September 30, 2024 and 2023:

	2024	2023
Gross amounts due in less than one year	\$ 496,704	\$ 190,275
Gross amounts due in one to five years	407,737	15,000
	<u>\$ 904,441</u>	<u>\$ 205,275</u>

Accounting principles generally accepted in the United States of America require that promises to give to be received after one year be discounted. Management has determined that as of September 30, 2024 and 2023, the discount is not material to the financial statements and has not be recorded.

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

NOTE 4 – PROMISES TO GIVE (Cont'd)

The Organization has an existing conditional promise to receive \$200,000, due in \$100,000 increments in fiscal years ending September 2025 and 2026. Payment is contingent upon the ground breaking of the new building.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2024 and 2023:

	2024	2023
Equipment	\$ 90,832	\$ 77,508
Vehicle	189,257	189,257
Land	900,526	546,550
Building	1,671,526	980,132
Construction in progress	796,385	303,548
	<u>3,648,526</u>	<u>2,096,995</u>
Less: accumulated depreciation	<u>(430,498)</u>	<u>(359,426)</u>
Property and equipment, net	<u>\$ 3,218,028</u>	<u>\$ 1,737,569</u>

Depreciation expense for the years ended September 30, 2024 and 2023 was \$75,331 and \$47,220, respectively.

NOTE 6 – CAPITAL CAMPAIGN FOR 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. Studies, professional services, and the development of the new building were capitalized at September 30, 2024 and 2023 as construction in progress. The cumulative amount of construction in progress at September 30, 2024 and 2023 was \$796,385 and \$303,548, respectively.

During the year ended September 30, 2024, the Organization launched a \$15 million capital campaign to raise funds to build a new 24,000 square foot building on the donated land. Contributions and pledges are continuously being raised from individuals, foundations and trusts, corporations and businesses, organizations and government funding programs. Cumulative capital campaign contributions as of September 30, 2024 and 2023 were \$2,818,435 and \$670,000, respectively.

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30, 2024 and 2023:

	2024	2023
Emergency assistance	\$ 84,025	\$ 79,410
Buildings and renovations	2,346,542	429,335
Food cupboard	145,374	205,442
Community housing	58,211	-
Community education	39,154	6,000
Promises to give	31,667	85,000
	<u>\$ 2,704,973</u>	<u>\$ 805,187</u>

Net assets with donor restrictions released during the years ended September 30, 2024 and 2023 were as follows:

	2024	2023
Emergency assistance	\$ 107,085	\$ 79,280
Buildings and renovations	231,228	307,151
Food cupboard	108,248	104,251
Community housing	16,789	-
Community education	41,846	-
Promises to give	73,333	25,000
	<u>\$ 578,529</u>	<u>\$ 515,682</u>

NOTE 8 – 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, 2024 and 2023 was \$3,630,142 and \$1,750,793, respectively.

NOTE 9 – 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

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

NOTE 9 – REVENUE RECOGNITION (Cont’d)

Performance Obligations (Cont’d)

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, 2024 was as follows:

	<u>Point in Time</u>	<u>Over Time</u>	<u>Total</u>
Fundraising events	<u>\$ 202,255</u>	<u>\$ -</u>	<u>\$ 202,255</u>

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended September 30, 2023 was 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>

NOTE 10 – DONATED MATERIALS AND SERVICES

The Organization received contributions of the following nonfinancial assets reflected within the statements of activities for the years ended September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Donated materials	\$ 2,023,468	\$ 1,750,661
Donated services	61,850	11,024
Donated assets	<u>1,215,000</u>	<u>-</u>
	<u>\$ 3,300,318</u>	<u>\$ 1,761,685</u>

All nonfinancial donations were utilized by the Organization’s programs and supporting services. Unless otherwise noted, no donor restrictions existed for contributed nonfinancial assets.

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023****NOTE 10 – DONATED MATERIALS AND SERVICES (Cont'd)**

The Organization received \$2,023,468 and \$1,750,661, respectively, of various types of donated food during the years ended September 30, 2024 and 2023. The food was utilized to support all programming efforts of the Organization. Donated food is valued at the most recently available published Feeding America rate.

The Organization received \$61,850 of donated services of waivers of building permits and application fees during the year ended September 30, 2024. The building permit and application fee waivers have been capitalized and included as construction in progress within property and equipment on the statements of financial position.

The Organization received \$11,024 of donated legal services during the year ended September 30, 2023. The services were utilized to support all programming and supporting services of the Organization. The legal services were valued at standard hourly rates charged for those services.

The Organization received \$200,000 of donated furniture during the year ended September 30, 2024. The furniture has been capitalized and included as construction in progress within property and equipment on the statements of financial position.

The Organization received \$1,015,000 of donated residential properties for its programs during the year ended September 30, 2024. The residential properties were valued at fair market value and have been capitalized and included in property and equipment on the statement of financial position.

The Organization received donated facilities, services and materials of \$17,890 and \$4,412 utilized for special events for the years ended September 30, 2024 and 2023, respectively. These facilities and services are valued at the standard hourly rates charged for similar facilities and services. Donated materials are valued at the retail prices for acquiring similar materials. These amounts have been recognized as revenue and expense in special events on the statements of activities.

The Organization received donated items to be sold at its annual fundraising auction totaling \$26,940 and \$6,197, respectively, for the years ended September 30, 2024 and 2023. Contributed auction items are valued based on actual retail prices for acquiring similar materials. The value of these items are included in fundraising event revenue and expense on the statements of activities.

Proceeds from auction items sold are recorded at actual amounts received from sale.

NOTE 11 – MAJOR DONOR

The Organization received funding of approximately 10% of its total revenue from one donor for the year ended September 30, 2023. There were no major donors for the year ended September 30, 2024.

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

NOTE 12 – 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, 2024 and 2023, the Organization’s contributions to the plan totaled \$23,924 and \$14,542, respectively.

NOTE 13 – LEASE COMMITMENTS

Lessee

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, 2024 and 2023 not subject to recognition under ASU No. 2016-02, *Leases (Topic 842)*, was \$4,960 and \$10,534, respectively.

Lessor

As of November 9, 2023, the Organization began leasing a residential property for use in their program under a lease agreement expiring November 1, 2024. Monthly payments of \$1,200 are required for the lease term.

As of May 30, 2024, the Organization began leasing two additional residential properties for use in their program under lease agreements expiring June 1, 2025. Monthly payments of \$1,200 are required for the lease term.

Total rental income received for the year ended September 30, 2024 was \$23,047.

Future minimum rents to be received under the aforementioned lease agreements are as follows:

<u>For the year ended September 30,</u>	
2025	\$ <u>20,400</u>

KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARYNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023**NOTE 13 – LEASE COMMITMENTS (Cont'd)**

The portion of residential properties held for leasing consisted of the following at September 30, 2024:

Buildings	\$ 1,045,370
Less: accumulated depreciation	<u>(8,683)</u>
	<u>\$ 1,036,687</u>



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

To the Board of Directors
Kennett Area Community Service and Subsidiary
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) and Subsidiary, which comprise the statement of financial position as of September 30, 2024, 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 22, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kennett Area Community Service and Subsidiary'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 and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Kennett Area Community Service and Subsidiary'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 and Subsidiary'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 22, 2025
Kennett Square, PA