

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2025**



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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the consolidated financial statements of Kennett Area Community Service (a nonprofit corporation) and Subsidiary, which comprise the consolidated statement of financial position as of September 30, 2025, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Kennett Area Community Service and Subsidiary as of September 30, 2025, and the changes in its net assets and its cash flows for the year 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.

### ***Correction of Error***

As discussed in Note 13 to the consolidated financial statements, prior period errors were identified that impact the balance of the net assets as of September 30, 2024. These errors resulted in an understatement of net assets without donor restrictions and overstatement of net assets with donor restriction as of September 30, 2024. Accordingly, net assets have been restated as of October 1, 2024, to correct the error. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Consolidated 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 Consolidated 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.

Board of Directors  
Kennett Area Community Service and Subsidiary

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 29, 2026, 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.



**CliftonLarsonAllen LLP**

King of Prussia, Pennsylvania  
January 29, 2026

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2025**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 5,639,069
Gift Cards on Hand	6,143
Grants Receivable	124,113
Promises to Give, Net	178,977
Inventory	56,965
Prepaid Expenses	14,605
Total Current Assets	6,019,872

**PROPERTY AND EQUIPMENT, NET**

3,383,052

**OTHER ASSETS**

Promises to Give, Net of Current	78,144
Total Other Assets	78,144

Total Assets

\$ 9,481,068

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 47,300
Accrued Expenses	75,844
Deferred Revenue	19,952
Total Current Liabilities	143,096

**NET ASSETS**

Without Donor Restrictions	
Undesignated	3,585,016
Board Designated	2,356,312
Total Net Assets Without Donor Restrictions	5,941,328
With Donor Restrictions	3,396,644
Total Net Assets	9,337,972

Total Liabilities and Net Assets

\$ 9,481,068

*See accompanying Notes to Consolidated Financial Statements.*

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 1,304,220	\$ 1,035,855	\$ 2,340,075
In-Kind Donations	2,135,951	-	2,135,951
Government Support	434,912	-	434,912
Grants	132,200	122,200	254,400
Housing Program Fees	43,200	-	43,200
Fundraising Events, Net of Expenses of \$64,199	88,979	-	88,979
Miscellaneous Income	3,216	-	3,216
Interest Income	178,013	-	178,013
Net Assets Released from Restrictions	303,155	(303,155)	-
Total Support and Revenue	4,623,846	854,900	5,478,746
 <b>EXPENSES</b>			
Program Services	3,714,883	-	3,714,883
Management and General	420,999	-	420,999
Fundraising	227,011	-	227,011
Total Expenses	4,362,893	-	4,362,893
 <b>CHANGE IN NET ASSETS</b>	260,953	854,900	1,115,853
Net Assets - Beginning of Year as Restated	5,680,375	2,541,744	8,222,119
 <b>NET ASSETS - END OF YEAR</b>	\$ 5,941,328	\$ 3,396,644	\$ 9,337,972

See accompanying Notes to Consolidated Financial Statements.

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2025**

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Food Cupboard	Emergency Assistance	Community Education	Community Housing				
Salaries	\$ 234,150	\$ 330,789	\$ 72,384	\$ 75,830	\$ 713,153	\$ 245,027	\$ 127,337	\$ 1,085,517
Payroll Taxes	19,349	27,335	5,982	6,266	58,932	20,248	10,523	89,703
Employee Benefits	26,925	38,038	8,324	8,720	82,007	28,176	14,643	124,826
Total Compensation	280,424	396,162	86,690	90,816	854,092	293,451	152,503	1,300,046
Aid to Families	-	258,884	-	-	258,884	-	-	258,884
Bad Debt	-	-	-	-	-	4,664	-	4,664
Bank and Credit Card Fees	-	-	-	-	-	15,730	-	15,730
Capital Campaign	-	-	-	-	-	-	22,458	22,458
Community Education and Training	-	1,470	61,373	-	62,843	-	-	62,843
Consulting	2,198	4,266	711	711	7,886	3,920	1,422	13,228
Depreciation	44,878	23,816	4,763	22,702	96,159	23,818	4,763	124,740
Donated Food	2,127,536	-	-	-	2,127,536	-	-	2,127,536
Insurance	14,930	14,424	-	13,442	42,796	5,720	-	48,516
Lease	-	-	-	-	-	9,113	-	9,113
Maintenance	15,421	6,079	304	19,202	41,006	4,766	608	46,380
Office Expense	12,097	9,282	342	1,429	23,150	18,158	2,509	43,817
Outreach and Marketing	5,991	3,897	647	1,124	11,659	12,612	10,168	34,439
Professional Fees	14,692	15,092	156	838	30,778	23,173	30,150	84,101
Purchased Food	119,840	-	-	-	119,840	-	-	119,840
Tax and Licenses	258	106	-	11,924	12,288	386	635	13,309
Telephone	2,097	3,413	438	438	6,386	2,508	919	9,813
Travel	3,746	1,777	80	332	5,935	62	-	5,997
Utilities	9,469	3,274	451	451	13,645	2,918	876	17,439
Total Functional Expenses by Function	<u>\$ 2,653,577</u>	<u>\$ 741,942</u>	<u>\$ 155,955</u>	<u>\$ 163,409</u>	<u>\$ 3,714,883</u>	<u>\$ 420,999</u>	<u>\$ 227,011</u>	<u>\$ 4,362,893</u>
Less: Expenses Included with Revenues on the Consolidated Statement of Activities:								
Cost of Direct Benefits to Donors	-	-	-	-	-	-	64,199	64,199
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	<u>\$ 2,653,577</u>	<u>\$ 741,942</u>	<u>\$ 155,955</u>	<u>\$ 163,409</u>	<u>\$ 3,714,883</u>	<u>\$ 420,999</u>	<u>\$ 291,210</u>	<u>\$ 4,427,092</u>

See accompanying Notes to Consolidated Financial Statements.

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOW  
YEAR ENDED SEPTEMBER 30, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in Net Assets	\$ 1,115,853
Adjustments to Reconcile Changes in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	124,740
Change in Allowance and Discount	(17,038)
(Increase) Decrease in Operating Assets:	
Gift Cards on Hand	605
Grants Receivable	(107,385)
Promises to Give	554,370
Inventory	(5,121)
Prepaid Expenses	(11,248)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	23,257
Accrued Expenses	(13,922)
Deferred Revenue	19,952
Net Cash Provided by Operating Activities	1,684,063

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Equipment	(24,252)
Purchase of Building and Renovations	(265,512)
Net Cash Used by Investing Activities	(289,764)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

1,394,299

Cash and Cash Equivalents - Beginning of Year

4,244,770

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 5,639,069

*See accompanying Notes to Consolidated Financial Statements.*

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**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 noncash 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.

**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 (GAAP)

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. Board designated represents funds available for designation by the board of directors.

**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.

**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.

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Promises to Give, Net**

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 adjust 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 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.

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.

**Inventory**

Inventory consists of food received from various government agencies, public donations, and direct purchases. At September 30, 2025, inventory is valued at \$1.97 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, 2024 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 based on the restrictions or conditions of the grant. Contributions and Grants 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 income is recognized as earned.

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

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 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, Grants and Government Support**

Unconditional Contributions and Grants are to be 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.

Conditional Contributions and Grants are when a right of return or right of release exists as well as a barrier. The conditional revenue is recognized once the conditions have been met.

Government support is primarily derived from cost-reimbursement grants and contracts which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

**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 year ended September 30, 2025 was valued at \$1.97 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.

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Materials and Services (Continued)**

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 nontechnical volunteers. For the year ended September 30, 2025, donated services totaled \$154,780.

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 year ended September 30, 2025 totaled \$34,439.

**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 nonprofit 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 AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosures through January 29, 2026, the date the consolidated financial statements were available to be issued.

**NOTE 2 FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of September 30, 2025, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

Financial Assets	
Cash and Cash Equivalents	\$ 5,639,069
Gift Cards on Hand	6,143
Grants Receivable	124,113
Promises to Give	178,977
Less: Board Designated Financial Assets	(2,356,312)
Less: Donor Restricted Financial Assets	<u>(2,378,129)</u>
Total Financial Assets Available Within One Year for General Expenditures	<u>\$ 1,213,861</u>

As of September 30, 2025, the Organization had \$1,213,861 of financial assets available within one year of the statement of financial position 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, 2025 was approximately \$5,434,000. The Organization monitors credit worthiness of the institutions with which it invests.

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 4 PROMISES TO GIVE**

Unconditional promises to give consisted of the following at September 30, 2025:

Gross Amounts Due in Less Than One Year	\$ 178,977
Gross Amounts Due in One to Five Years	<u>96,094</u>
Total	\$ 275,071
Allowance for Uncollectible Promises	(7,820)
Discount on Long-Term Pledges	<u>(10,130)</u>
Total	<u><u>\$ 257,121</u></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 the discount is \$10,130 as of September 30, 2025.

The Organization has an existing conditional promise to receive \$200,000, due in \$100,000 increments. Payment is contingent upon the acquisition of a new location of the Organization's operations.

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at September 30, 2025:

Land	\$ 1,122,979
Building	1,449,072
Equipment	307,963
Vehicle	211,978
Construction in Progress	<u>846,298</u>
Total	3,938,290
Less: Accumulated Depreciation	<u>(555,238)</u>
Property and Equipment, Net	<u><u>\$ 3,383,052</u></u>

Depreciation expense for the year ended September 30, 2025 was \$124,740.

**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, 2025 as construction in progress. The cumulative amount of construction in progress as of September 30, 2025 was \$846,298.

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 6 CAPITAL CAMPAIGN FOR FUTURE BUILDING (CONTINUED)**

As of November 19, 2025 the Organization submitted a bid and an offer has been accepted to purchase a new building in the amount of \$2,850,000. Settlement is expected to occur in Spring 2026. As a result of this bid acceptance, on December 15, 2025, the Organization plans to not move forward with the construction of the new building and construction in progress in the amount of \$580,781 related to this project will be disposed of in fiscal year 2026 if a building is purchased.

During the year ended September 30, 2024, the Organization launched a \$15 million capital campaign to raise funds for an acquisition of a building for the Organization's operations. 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, 2025 was \$3,852,830.

**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at September 30, 2025:

Emergency Assistance	\$ 69,624
Buildings and Renovations	3,269,187
Food Cupboard	44,770
Community Housing	-
Community Education	3,063
Promises to Give	10,000
Total Net Assets With Donor Restrictions	<u>\$ 3,396,644</u>

Net assets with donor restrictions released during the year ended September 30, 2025, was as follows:

Emergency Assistance	\$ 89,222
Buildings and Renovations	111,750
Food Cupboard	55,060
Community Education	25,456
Promises to Give	21,667
Total Net Assets With Donor Restrictions Released	<u>\$ 303,155</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, 2025 was \$2,356,312.

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**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 point in time to which the fundraiser relates. The performance obligation consists of providing participants with access to the fundraising event at the time of the 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.

**NOTE 10 DONATED MATERIALS AND SERVICES**

The Organization received contributions of the following nonfinancial assets reflected within the statements of activities for the year ended September 30, 2025:

Donated Materials	\$ 2,132,658
Donated Services	<u>3,293</u>
Total	<u><u>\$ 2,135,951</u></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.

The Organization received \$2,132,658 of various types of donated food during the year ended September 30, 2025. 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 donated facilities, services, and materials of \$3,293 utilized for special events for the year ended September 30, 2025. 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 \$20,299 for the year ended September 30, 2025. 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.

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 11 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 year ending September 30, 2025, the Organization's contributions to the plan totaled \$27,707.

**NOTE 12 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.

Total lease expense for the year ended September 30, 2025 not subject to recognition under ASU No. 2016-02, *Leases (Topic 842)*, was \$9,113 and \$4,960, respectively.

**Lessor**

As of November 9, 2023, the Organization began leasing a residential property for use in their program under a lease agreement expiring October 31, 2026. 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 May 31, 2026. Monthly payments of \$1,200 are required for the lease term.

Total rental income received for the year ended September 30, 2025 was \$43,200.

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

<u>Year Ending September 30</u>	<u>Amounts</u>
2026	\$ 34,150
2027	1,250
Total	<u>\$ 35,400</u>

The portion of residential properties held for leasing consisted of the following at September 30, 2025:

Land	\$ 353,976
Building	691,394
Less: Accumulated Depreciation	26,622
Total	<u>\$ 1,071,992</u>

**KENNETT AREA COMMUNITY SERVICE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 13 RESTATEMENT OF OPENING NET ASSETS**

During the year ended September 30, 2025, errors were discovered resulting in an overall overstatement of net assets of \$158,896 as of September 30, 2024. To correct these errors, net assets with donor restrictions and net assets without donor restriction were restated as of September 30, 2024, to include the amount previously overstated and understated.

The cumulative effect of the restatement is summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets - September 30, 2024 as Originally Reported	\$ 5,676,042	\$ 2,704,973	\$ 8,381,015
Understatement (Overstatement) of Net Assets Due to Errors in Prior Year	<u>4,333</u>	<u>(163,229)</u>	<u>(158,896)</u>
Net Assets - September 30, 2024 as Restated	<u>\$ 5,680,375</u>	<u>\$ 2,541,744</u>	<u>\$ 8,222,119</u>



**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***

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, 2025, 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 29, 2026.

**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.

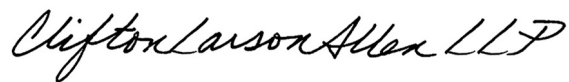
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



**CliftonLarsonAllen LLP**

King of Prussia, Pennsylvania  
January 29, 2026



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