

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER
FOR COMMUNITY RESOURCES

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
AND SINGLE AUDIT REPORTS**

JUNE 30, 2019 AND 2018

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Employment Opportunity & Training Center of Northeastern Pennsylvania
d/b/a Outreach-Center for Community Resources

Report on the Financial Statements

We have audited the accompanying financial statements of Employment Opportunity & Training Center of Northeastern Pennsylvania, d/b/a Outreach-Center for Community Resources ("Outreach") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Outreach as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2019, on our consideration of Outreach'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 Outreach's internal control over financial reporting and compliance.

Kohanski & Co., PC

Moosic, PA
October 16, 2019

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 297,124	\$ 54,520
Grants receivable	164,164	170,685
Pledges receivable	-	100,000
Prepaid expenses	19,992	13,459
Self-insurance deposit	<u>27,738</u>	<u>13,884</u>
Total Current Assets	509,018	352,548
ENDOWMENT INVESTMENT - RESTRICTED	5,356	5,350
PROPERTY AND EQUIPMENT, net	<u>2,051,493</u>	<u>2,125,181</u>
	<u>\$ 2,565,867</u>	<u>\$ 2,483,079</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Demand note payable	\$ -	\$ 141,255
Current portion of note payable	26,404	25,563
Accounts payable and accrued expenses	88,700	63,979
Payroll and related taxes payable	72,014	48,082
Deferred revenue	<u>89,948</u>	<u>57,956</u>
Total Current Liabilities	277,066	336,835
NOTE PAYABLE, net of current portion	<u>784,992</u>	<u>810,837</u>
Total Liabilities	<u>1,062,058</u>	<u>1,147,672</u>
NET ASSETS:		
Without donor restrictions	1,152,346	1,119,012
With donor restrictions	<u>351,463</u>	<u>216,395</u>
Total Net Assets	<u>1,503,809</u>	<u>1,335,407</u>
	<u>\$ 2,565,867</u>	<u>\$ 2,483,079</u>

The accompanying notes are an integral part of these financial statements.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	<u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>With</u> <u>Donor</u> <u>Restrictions</u>	<u>2019</u> <u>Total</u>
REVENUE AND SUPPORT:			
Program Services:			
Fees and grants	\$ 1,696,788	\$ -	\$ 1,696,788
Contributions	94,990	267,875	362,865
Fundraising events	152,715	-	152,715
In-kind contributions	22,420	-	22,420
Program service fees	1,445	-	1,445
Rental income	45,864	-	45,864
Interest income	46	-	46
Miscellaneous	1,905	-	1,905
	<u>2,016,173</u>	<u>267,875</u>	<u>2,284,048</u>
Total Revenue and Support			
	<u>132,807</u>	<u>(132,807)</u>	<u>-</u>
Net Assets Released from Restrictions			
	<u>2,148,980</u>	<u>135,068</u>	<u>2,284,048</u>
Total Revenues and Support			
EXPENSES:			
Program Services:			
Parent/child serving	976,155	-	976,155
Court related	199,408	-	199,408
Job development	273,918	-	273,918
Supporting Services:			
Management and general	588,396	-	588,396
Fundraising	77,769	-	77,769
	<u>2,115,646</u>	<u>-</u>	<u>2,115,646</u>
Total Expenses			
CHANGE IN NET ASSETS	33,334	135,068	168,402
NET ASSETS - Beginning	<u>1,119,012</u>	<u>216,395</u>	<u>1,335,407</u>
NET ASSETS - Ending	<u>\$ 1,152,346</u>	<u>\$ 351,463</u>	<u>\$ 1,503,809</u>

The accompanying notes are an integral part of these financial statements.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>
REVENUE AND SUPPORT:			
Program Services:			
Fees and grants	\$ 1,202,665	\$ -	\$ 1,202,665
Contributions	276,288	201,096	477,384
Fundraising events	143,001	-	143,001
In-kind contributions	-	-	-
Program service fees	5,181	-	5,181
Rental income	47,606	-	47,606
Interest income	2	-	2
Miscellaneous	4,578	-	4,578
	<u>1,679,321</u>	<u>201,096</u>	<u>1,880,417</u>
Total Revenue and Support			
	1,679,321	201,096	1,880,417
Net Assets Released from Restrictions	<u>177,128</u>	<u>(177,128)</u>	<u>-</u>
Total Revenues and Support	<u>1,856,449</u>	<u>23,968</u>	<u>1,880,417</u>
EXPENSES:			
Program Services:			
Parent/child serving	699,861	-	699,861
Court related	214,668	-	214,668
Job development	221,935	-	221,935
Supporting Services:			
Management and general	512,963	-	512,963
Fundraising	79,565	-	79,565
	<u>1,728,992</u>	<u>-</u>	<u>1,728,992</u>
Total Expenses			
	1,728,992	-	1,728,992
CHANGE IN NET ASSETS	127,457	23,968	151,425
NET ASSETS - Beginning	<u>991,555</u>	<u>192,427</u>	<u>1,183,982</u>
NET ASSETS - Ending	<u>\$ 1,119,012</u>	<u>\$ 216,395</u>	<u>\$ 1,335,407</u>

The accompanying notes are an integral part of these financial statements.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services		
	Parent/ Child Serving	Court Related	Job Development	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 553,090	\$ 115,663	\$ 175,004	\$ 843,757	\$ 379,314	\$ -	\$ 1,223,071
Employee benefits	146,518	27,931	38,356	212,805	94,313	-	307,118
Depreciation	40,726	8,433	11,584	60,743	28,849	-	89,592
Equipment and maintenance	22,960	6,214	8,721	37,895	13,003	-	50,898
Occupancy	20,341	7,155	7,007	34,503	16,156	38	50,697
Travel	40,830	3,246	1,345	45,421	873	320	46,614
Subcontractors	18,087	5,848	2,505	26,440	12,139	7,251	45,830
Consultant	300	-	-	300	4,500	30,713	35,513
Special events	5,036	145	150	5,331	745	27,887	33,963
Staff development	30,331	1,218	115	31,664	990	975	33,629
Printing and supplies	10,066	5,375	5,116	20,557	9,086	2,782	32,425
Program supplies	23,046	1,750	3,246	28,042	585	100	28,727
Loan interest	8,641	6,174	4,926	19,741	7,525	-	27,266
Miscellaneous/ In-kind	14,004	1,528	1,961	17,493	2,771	5,510	25,774
Telephone	11,915	3,105	1,164	16,184	6,017	550	22,751
Insurance	8,423	2,043	3,352	13,818	7,550	-	21,368
Support services	8,631	580	5,829	15,040	237	-	15,277
Accounting	6,775	3,000	2,676	12,451	500	-	12,951
Advertising	578	-	-	578	2,890	1,053	4,521
Curriculum material	2,970	-	856	3,826	-	-	3,826
Program incentives	2,447	-	-	2,447	78	-	2,525
Postage	440	-	5	445	275	590	1,310
Total	\$ 976,155	\$ 199,408	\$ 273,918	\$ 1,449,481	\$ 588,396	\$ 77,769	\$ 2,115,646

The accompanying notes are an integral part of these financial statements.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services		
	Parent/ Child Serving	Court Related	Job Development	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 432,103	\$ 135,642	\$ 153,858	\$ 721,603	\$ 253,054	\$ 60,902	\$ 1,035,559
Employee benefits	116,439	33,687	26,045	176,171	126,481	10,496	313,148
Depreciation	32,206	11,021	11,394	54,621	34,145	-	88,766
Occupancy	18,484	3,585	2,671	24,740	25,744	-	50,484
Loan interest	-	-	-	-	34,340	-	34,340
Equipment and maintenance	11,519	3,697	1,868	17,084	15,284	-	32,368
Travel	19,088	5,996	1,721	26,805	1,259	116	28,180
Printing and supplies	7,475	2,396	5,598	15,469	5,553	364	21,386
Insurance	6,234	3,295	3,787	13,316	6,479	-	19,795
Telephone	9,499	2,709	873	13,081	3,877	350	17,308
Program supplies	12,154	2,733	2,289	17,176	(584)	-	16,592
Staff development	7,069	4,207	204	11,480	2,622	99	14,201
Support services	5,974	1,023	6,731	13,728	10	-	13,738
Subcontractors	9,442	689	1,234	11,365	150	250	11,765
Special events	1,353	789	150	2,292	1,512	5,973	9,777
Accounting	3,842	2,458	2,145	8,445	1,100	-	9,545
Consultant	3,320	-	800	4,120	1,592	-	5,712
Advertising	463	700	-	1,163	493	180	1,836
Program incentives	1,655	-	-	1,655	-	-	1,655
Curriculum material	834	-	567	1,401	-	-	1,401
Postage	588	41	-	629	440	149	1,218
Miscellaneous	120	-	-	120	(588)	686	218
Total	\$ 699,861	\$ 214,668	\$ 221,935	\$ 1,136,464	\$ 512,963	\$ 79,565	\$ 1,728,992

The accompanying notes are an integral part of these financial statements.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants and contributions	\$2,352,326	\$1,724,845
Cash received from other income	47,815	52,186
Cash paid to employees for services	(1,207,455)	(1,038,895)
Cash paid for operating expenses	<u>(767,913)</u>	<u>(572,289)</u>
Net Cash Provided by Operating Activities	<u>424,773</u>	<u>165,847</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(15,904)</u>	<u>(33,135)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest earned on restricted endowment	(6)	(7)
Repayments on demand note payable, net	(141,255)	(93,704)
Repayments on note payable	<u>(25,004)</u>	<u>(24,338)</u>
Net Cash Used by Financing Activities	<u>(166,265)</u>	<u>(118,049)</u>
NET CHANGE IN CASH	242,604	14,663
CASH BALANCE - Beginning	<u>54,520</u>	<u>39,857</u>
CASH BALANCE - Ending	<u>\$ 297,124</u>	<u>\$ 54,520</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 168,402	\$ 151,425
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,592	88,766
Changes in current assets and current liabilities:		
Grants receivable	6,521	(28,190)
Pledges receivable	100,000	(100,000)
Prepaid expenses	(6,533)	8,849
Self-insurance deposit	(13,854)	17,806
Accounts payable and accrued expenses	24,721	(7,229)
Payroll and related taxes payable	23,932	9,616
Deferred revenue	<u>31,992</u>	<u>24,804</u>
Net Cash Provided by Operating Activities	<u>\$ 424,773</u>	<u>\$ 165,847</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 27,266</u>	<u>\$ 34,340</u>

The accompanying notes are an integral part of these financial statements.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Employment Opportunity & Training Center of Northeastern Pennsylvania d/b/a Outreach-Center for Community Resources ("Outreach") is a not-for-profit organization incorporated on December 14, 1987, which offers a variety of programs designed to provide training and employment opportunities to low income persons, single parents, and others needing support in becoming self-sufficient through employment. Outreach operates out of a facility in Scranton, Pennsylvania. Revenues are generated primarily from Federal government and state of Pennsylvania governmental agencies.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, all significant receivables, payables, and other accruals are recorded in the financial statements.

Basis of Presentation

Outreach reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions

These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions

These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF ACCOUNTING POLICIES
(CONT'D)

Use of Estimates

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

Donated Services

No amounts have been reflected in the financial statements for donated services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Outreach with specific assistance programs, campaign solicitation, and various committee assignments.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, Outreach considers all unrestricted highly liquid investments with an initial maturity of three months or less to be a cash equivalent.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES
(CONT'D)

Grants and Pledges Receivable

Grants and pledges receivable are reported at amounts management expects to collect on balances outstanding. Accounts are charged to bad debt expense when considered uncollectible based on a periodic review of individual accounts. Grants and pledges receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

Property and Equipment

Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method of depreciation. Repairs and minor equipment are charged against current operations when incurred. Management has set the capitalization threshold for reporting property and equipment at \$1,000.

Deferred Revenue

Revenue received in advance of the period in which it is earned is recorded as deferred revenue in the accompanying statement of financial position.

Income Taxes

Outreach is a not-for-profit corporation exempt from income taxes as described in Section 501(c)3 of the Internal Revenue Code. No provision for Federal or state income taxes is required.

In accordance with the Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, management evaluated Outreach's tax positions and concluded that Outreach had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, Outreach is no longer subject to income tax examinations by Federal, state or local tax authorities for years before June 30, 2016.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES
(CONT'D)

Financial Instruments and Credit Risk

Outreach manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, Outreach has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies.

Recently Implemented Accounting Standards

In 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Outreach adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 2), and disclosures related to functional allocation of expenses were expanded (Note 10). The ASU has been applied retrospectively to all periods presented.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for ASU 2014-9 until annual periods beginning after December 15, 2018. Outreach is currently evaluating the effect the provisions this ASU will have on the financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*. This ASU is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. This update will be effective for annual reporting periods beginning after December 15, 2019. Outreach is currently evaluating the effect the provisions this ASU will have on the financial statements.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES
(CONT'D)

Recent Accounting Pronouncements (Cont'd)

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU is intended to clarify and improve the scope and accounting guidance for contributions received and made, primarily by not-for-profit organizations, and to provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. This update should be applied to annual reporting periods beginning December 15, 2018 for transactions in which the entity is a resource recipient and to annual reporting periods beginning after December 15, 2019 for transactions in which the entity is a resource provider. Outreach is currently evaluating the effect the provisions this ASU will have on the financial statements.

Reclassifications

Certain items in the June 30, 2018 financial statements have been reclassified to conform to the June 30, 2019 reporting format.

Subsequent Events

Management has evaluated subsequent events through October 16, 2019 which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2019.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash	\$ 297,124	\$ 54,520
Receivables	<u>164,164</u>	<u>270,685</u>
	<u>\$ 461,288</u>	<u>\$ 325,205</u>

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2: LIQUIDITY AND AVAILABILITY (CONT'D)

In addition to financial assets available to meet general expenditures over the year, Outreach operates on a balanced budget and anticipates covering its general expenditures by collecting sufficient program fees, rentals, and contributions.

Outreach also has a \$250,000 line-of-credit, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30,:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 2,439,150	\$ 2,439,150
Equipment	112,260	143,139
Land	<u>133,102</u>	<u>133,102</u>
	2,684,512	2,715,391
Less: accumulated depreciation	<u>(633,019)</u>	<u>(590,210)</u>
	<u>\$ 2,051,493</u>	<u>\$ 2,125,181</u>

Depreciation expense was \$89,592 and \$88,766 for the years ended June 30, 2019 and 2018, respectively.

NOTE 4: DEMAND NOTE PAYABLE

Outreach has a \$250,000 line-of-credit with interest payable monthly at the prime rate plus .50% (6.00% at June 30, 2019). The line-of-credit is secured by substantially all of Outreach's assets. Borrowings on the line-of-credit are to be used for working capital. There was no balance outstanding as of June 30, 2019. The balance outstanding as of June 30, 2018 was \$141,255.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5: NOTE PAYABLE

Note payable consists of the following at June 30,:

	<u>2019</u>	<u>2018</u>
Bank note payable in monthly installments of \$4,356, including interest at 3.242%. The note matures March 8, 2023 with a balloon payment due of all remaining outstanding principal and accrued interest, and is collateralized by real estate with a book value of \$2,011,511.	\$ 811,396	\$ 836,400
Less: current portion	<u>(26,404)</u>	<u>(25,563)</u>
	<u>\$ 784,992</u>	<u>\$ 810,837</u>

The minimum annual principal payments on the note as of June 30, 2019 are as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2020	\$ 26,404
2021	27,273
2022	28,171
2023	<u>729,548</u>
	<u>\$ 811,396</u>

NOTE 6: COMPENSATED ABSENCES

All employees, except those that are considered to be temporary, are eligible for paid time off in an amount dependent on their years of service. Employees may be allowed to carry unused hours from the end of one calendar year to January 31st of the following year only upon receiving permission from an immediate supervisor. In addition, employees are eligible for payment of unused vacation days upon termination of employment. Those employees who are involuntary terminated may not be eligible for compensation of unused paid time-off. Accrued compensated absences were \$31,435 and \$23,006 for the years ended June 30, 2019 and 2018, respectively, and are included in accrued expenses on the statement of financial position.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Outreach's net assets with donor restrictions are available for the following purposes at June 30,:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
General operations	\$ 61,285	\$ 100,000
Incredible Years	218,208	60,752
Parents as Teachers and Incredible Years	27,057	21,339
Other program services	39,523	28,914
Women in Transition	75	75
Subject to restriction in perpetuity:		
MBR Endowment	<u>5,315</u>	<u>5,315</u>
	<u>\$ 351,463</u>	<u>\$ 216,395</u>

NOTE 8: RETIREMENT PLAN

The Outreach 401(k) plan is a single-employer 401(k) plan that covers all regular full-time employees who have attained the age of 21 and completed one year of service. Participants are 100% vested in their personal contributions as well as Outreach's contributions. Effective January 1, 2018 Outreach eliminated matching contributions; however, for year ending June 30, 2019, the Board of Directors voted to make a contribution to all employees. Contributions by Outreach of \$42,264 and \$5,066 were made for the years ended June 30, 2019 and 2018, respectively.

NOTE 9: CONCENTRATIONS

Outreach receives a substantial amount of its revenue from Federal, state, and local governments. A significant reduction in the level of this revenue, if it were to occur, would affect Outreach's programs and activities. For the years ended June 30, 2019 and 2018, revenue from one government agency represented 30% and 37%, respectively, of total revenue and 31% and 29%, respectively, of total grants receivable.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 10: FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include administrative salaries, benefits, and payroll taxes, which are allocated on an estimate of time and effort. In addition, occupancy costs, insurance, repairs and maintenance, supplies, office expenses, and computer costs are allocated based on estimates of percentage of use.

NOTE 11: CONTINGENCY

Outreach participates in both state and Federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Outreach is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs. Outreach is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>CONTRACT PERIOD</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass-through grant programs from the County of Lackawanna, Pennsylvania:				
Promoting Safe and Stable Families	93.556	4100057301	07/01/18 - 06/30/19	\$ 138,027
Promoting Safe and Stable Families	93.556	4100066986	07/01/18 - 06/30/19	<u>153,500</u>
				<u>291,527</u>
Community-Based Child Abuse Prevention Grants	93.590	4100057087	07/01/18 - 06/30/19	<u>30,599</u>
Pass-through grant programs from the Scranton-Lackawanna Human Development Agency:				
Early Head Start	93.600	03CH0529-51	02/01/18 - 01/31/19	202,235
Early Head Start	93.600	03CH0529-51	02/01/19 - 01/31/20	<u>131,818</u>
				<u>334,053</u>
Total U.S. Department of Health and Human Services				<u>656,179</u>
U.S. DEPARTMENT OF JUSTICE:				
Pass-through grant programs from the Pennsylvania Commission on Crime and Delinquency:				
PCCD Re-Entry	16.738	2014-MU-BX-1052	01/01/18 - 12/31/18	57,613
PCCD Reconnect Program	16.738	2015/2016-JG-LS-28392	10/01/18 - 09/30/19	<u>73,287</u>
Total U.S. Department of Justice				<u>130,900</u>
				<u>\$ 787,079</u>

See independent auditors' report and notes to schedule of expenditures of Federal awards.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1: REPORTING ENTITY

The accompanying schedule of expenditures of Federal awards presents the activity of all Federal awards programs of Employment Opportunity & Training Center of Northeastern Pennsylvania, d/b/a Outreach-Center for Community Resources ("Outreach"). Outreach's reporting entity is defined in Note 1 to the financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included in the schedule.

NOTE 2: BASIS OF ACCOUNTING

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). The amounts reported in the accompanying schedule of expenditures of Federal awards agree, in all material respects, to amounts reported within Outreach's financial statements. Federal award revenues are reported principally in Outreach's financial statements as grant revenue. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COSTS

Outreach has elected not to use the ten percent de minimis cost rate. Indirect costs are allocated to programs based on applicable criteria relative to the Federal program.

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

To the Board of Directors of
Employment Opportunity & Training Center of Northeastern Pennsylvania
d/b/a Outreach-Center for Community Resources

We have audited, 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, the financial statements of Employment Opportunity & Training Center of Northeastern Pennsylvania d/b/a Outreach-Center for Community Resources ("Outreach") (a non-profit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Outreach's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Outreach's internal control. Accordingly, we do not express an opinion on the effectiveness of Outreach'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Outreach'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.

CERTIFIED PUBLIC ACCOUNTANTS

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Outreach'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 Outreach's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Outreach's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Koharski & Co., PC

Moosic, PA
October 16, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Employment Opportunity & Training Center of Northeastern Pennsylvania
d/b/a Outreach-Center for Community Resources

Report on Compliance for Each Major Federal Program

We have audited Employment Opportunity & Training Center of Northeastern Pennsylvania's, d/b/a Outreach-Center for Community Resources ("Outreach") compliance with the types of compliance requirements described in the OMB Compliance Supplement, that could have a direct and material effect on Outreach's major Federal program for the year ended June 30, 2019. Outreach's major Federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Outreach's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Outreach's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of Outreach's compliance.

Opinion on the Major Federal Program

In our opinion, Outreach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Outreach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Outreach's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Outreach's internal control over compliance.

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

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

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

Koharski & Co., PC

Moosic, PA
October 16, 2019

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No

- Control deficiencies identified that are not considered to be material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? Yes X No

- Control deficiencies identified that are not considered to be material weakness(es)? Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a) of Uniform Guidance Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.556	Promoting Safe and Stable Families

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: X Yes No

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

EMPLOYMENT OPPORTUNITY & TRAINING CENTER
OF NORTHEASTERN PENNSYLVANIA
d/b/a OUTREACH-CENTER FOR COMMUNITY RESOURCES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019

PRIOR AUDIT FINDINGS - JUNE 30, 2018

There were no findings required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.