

**THE CHILDREN'S SERVICE CENTER  
OF WYOMING VALLEY, INC.**

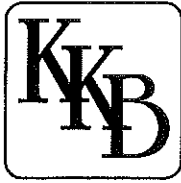
**YEARS ENDED  
JUNE 30, 2015 AND 2014**

THE CHILDREN'S SERVICE CENTER  
OF WYOMING VALLEY, INC.

YEARS ENDED JUNE 30, 2015 AND 2014

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**Kronick  
Kalada  
Berdy & Co.**  
*A Professional Corporation*

Certified Public Accountants

Officers/Shareholders

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Ronald H. Ulitchney, CPA

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Joseph J. Kalada, CPA

**Independent Auditor's Report**

Board of Directors  
The Children's Service Center of Wyoming Valley, Inc.

We have audited the accompanying financial statements of The Children's Service Center of Wyoming Valley, Inc. (the "Center"), which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of operations, changes in net assets 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence 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 The Children's Service Center of Wyoming Valley, Inc. as of June 30, 2015 and 2014, and the changes in net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Kronick Kalada Berdy & Co*

December 8, 2015

**THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.**

**BALANCE SHEETS**

**JUNE 30, 2015 AND 2014**

	<b>ASSETS</b>	
	<u>2015</u>	<u>2014</u>
Current assets:		
Cash	\$ 2,938,750	\$ 3,069,982
Accounts receivable, net of allowance for doubtful collections of \$496,000 in 2015 and \$710,000 in 2014	1,751,181	1,957,713
Pledges receivable, current portion	235,350	
Investments	3,322,919	2,551,265
Prepaid expenses	<u>357,486</u>	<u>319,401</u>
Total current assets	8,605,686	7,898,361
Noncurrent assets:		
Pledges receivable, net of current portion	608,153	
Property and equipment, net	3,254,535	2,497,288
Investment in joint venture	44,491	44,491
Refundable advance	2,040,000	1,140,000
Beneficial interest in perpetual trusts	<u>445,554</u>	<u>452,781</u>
Total	<u>\$ 14,998,419</u>	<u>\$ 12,032,921</u>
	<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:		
Accounts payable	\$ 202,270	\$ 171,750
Amounts withheld from employees for payroll taxes, etc.	188,511	161,454
Accrued expenses	635,178	601,144
Deferred revenue	<u>48,591</u>	<u>4,096</u>
Total liabilities (all current)	<u>1,074,550</u>	<u>938,444</u>
Net assets:		
Unrestricted	12,053,840	10,641,696
Temporarily restricted, capital campaign	1,424,478	
Permanently restricted	<u>445,551</u>	<u>452,781</u>
Total net assets	<u>13,923,869</u>	<u>11,094,477</u>
Total	<u>\$ 14,998,419</u>	<u>\$ 12,032,921</u>

See notes to financial statements

THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.

STATEMENTS OF OPERATIONS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Unrestricted revenues and other support:		
Fees, including grants from governmental agencies	\$ 17,707,583	\$ 16,797,027
Other income	88,834	128,699
Other program fees	132,652	134,088
Consultation/professional fees	192,405	171,097
Contributions in-kind	158,000	153,402
United Way contributions	44,145	37,633
Other contributions	30,283	31,628
	<u>18,353,902</u>	<u>17,453,574</u>
Total unrestricted revenues and other support		
Expenses:		
Salaries and wages	12,213,129	11,536,183
Payroll taxes and employee benefits	2,927,351	3,104,197
Program and office supplies	494,119	447,224
Depreciation	372,383	371,288
Auto expense	189,104	186,939
Rent	173,909	168,226
Staff development and training	167,761	136,471
Utilities	166,504	155,174
Insurance	158,023	132,831
Purchased practitioner services	148,431	188,101
Telephone and other communications	127,348	126,905
Occupancy	115,857	103,328
Advertising	94,416	66,867
Administrative expense	62,558	45,863
Payroll processing fees	57,920	52,227
Legal and accounting	51,392	82,295
Consultation and education	47,395	36,585
Recruiting fees	39,256	
Dues	33,957	39,373
Postage	22,121	23,597
Bank fees	5,611	4,167
	<u>17,668,545</u>	<u>17,007,841</u>
Total expenses		
Operating income	685,357	445,733
Contribution for long-lived assets	605,000	440,000
Investment income	121,787	237,595
	<u>\$ 1,412,144</u>	<u>\$ 1,123,328</u>
Increase in unrestricted net assets		

See notes to financial statements

THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Increase in unrestricted net assets	\$ 1,412,144	\$ 1,123,328
Increase in temporarily restricted net assets, capital campaign	1,424,478	
(Decrease) increase in permanently restricted net assets, change in beneficial interest in perpetual trusts	<u>(7,230)</u>	<u>46,540</u>
Increase in net assets	2,829,392	1,169,868
Net assets, beginning	<u>11,094,477</u>	<u>9,924,609</u>
Net assets, ending	<u>\$ 13,923,869</u>	<u>\$ 11,094,477</u>

See notes to financial statements

THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	\$ 2,829,392	\$ 1,169,868
Adjustments:		
Depreciation	372,383	371,288
Bad debts	110,000	98,000
Change in beneficial interest in perpetual trusts	7,227	(46,540)
Contribution for long-lived assets	(605,000)	(440,000)
Net realized gain on sale of investments	(48,728)	(22,552)
Net unrealized gain on investments	(64,926)	(170,969)
Changes in assets and liabilities:		
Accounts receivable	96,532	80,477
Pledges receivable	(843,503)	
Prepaid expenses	(38,085)	51,307
Accounts payable	30,520	(66,621)
Amounts withheld from employees	27,057	137,204
Accrued expenses	34,034	(45,432)
Deferred revenue	44,495	858
Net cash provided by operating activities	<u>1,951,398</u>	<u>1,116,888</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,129,630)	(767,662)
Purchase of investments	(2,475,925)	(791,375)
Refundable advance	(900,000)	
Proceeds from the sale of investments	1,817,925	992,742
Net cash used in investing activities	<u>(2,687,630)</u>	<u>(566,295)</u>
Cash flows from financing activities:		
Contribution for long-lived assets	605,000	440,000
Net cash provided by financing activities	<u>605,000</u>	<u>440,000</u>
Net (decrease) increase in cash	(131,232)	990,593
Cash, beginning	<u>3,069,982</u>	<u>2,079,389</u>
Cash, ending	<u>\$ 2,938,750</u>	<u>\$ 3,069,982</u>

See notes to financial statements



**THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 1 Nature of operations and summary of significant accounting policies:**

Nature of operations:

The Children's Service Center of Wyoming Valley, Inc. (the "Center") is a not-for-profit corporation located in Northeast Pennsylvania. The Center provides diagnostic and treatment services to children. These services cover emotional, behavioral or intellectual disorders and foster the welfare of the child and their family in any appropriate manner. They also include consultation services to agencies in the community which provide related services to children and further the welfare of the children by maintaining an interest in the community-wide program for domestic care and education, provide educational services in the field of mental health to secular and professional groups, and pursue research in the area of clinical study of children of residents of Luzerne, Wyoming and Montour Counties.

The Center has significant contracts with the Luzerne-Wyoming County Mental Health/Mental Retardation Program ("Program") to provide various mental health and mental retardation services. These revenues are recorded at contracted amounts when the service is provided. The recorded amounts are subject to audit and adjustment by the Program. Fee revenue primarily consists of service fees. Revenue from service fees is recorded when the service is provided.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A significant estimate used in the preparation of these financial statements is that the leased facility will be available over a long enough period to substantially amortize leasehold improvements.

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Pledges receivable

The Center conducted a capital campaign in the current year. The campaign is designed to solicit pledges to be paid over time (up to five years). The pledges are recorded as temporarily restricted revenue at the time the pledge is made. As the payments are collected and the monies are expended, the amounts will be recorded on the statement of operations as net assets released from restrictions.

THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Temporarily and permanently restricted net assets:

Temporarily restricted net assets are those whose use by the Center had been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained for the Center in perpetuity.

Property and equipment:

Property and equipment acquisitions over \$1,000 are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each classification of depreciable asset.

Income taxes:

The Center has been recognized as exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and similar state regulations and, therefore, has no provision for income taxes. The Center's open tax years are 2012-2015.

Donor restricted gifts:

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Center reports the support as unrestricted.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Investment income:

Investment income (including realized gains or losses on investments, write-downs of the cost of basis of investments due to an other-than-temporary decline in fair value, if any, interest and dividends) is included in unrestricted revenues unless the income is restricted by donor or law. Unrealized gains or losses on investments are excluded from unrestricted revenues unless the investments are trading securities.

**THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 2 Pledges receivable – capital campaign**

Pledges receivable of \$843,503 are due through 2019 and are recorded at approximate fair value. Pledges are received principally from residents and businesses located in Northeastern Pennsylvania and are not collateralized. The following schedule reflects the principal maturities of the pledges receivable.

2016	\$	235,350
2017-2019		608,153
	\$	843,503

Management uses specific identification for the uncollectable pledge allowance. No allowance was identified at June 30, 2015.

**NOTE 3 Beneficial interest in perpetual trusts:**

The Center is the beneficiary of two perpetual trusts held by banks serving as trustees. The terms of the trusts are such that the Center receives the income earned on the trust assets as earned in perpetuity. The assets are recorded at fair value based upon the market value of the investments held by trusts.

**NOTE 4 Property and equipment, net:**

Property and equipment and accumulated depreciation consist of the following at June 30:

	2015	2014
Building and land	\$ 2,497,935	\$ 1,491,225
Leasehold improvements	1,940,389	1,921,366
Equipment	2,565,196	2,484,953
Vehicles	343,782	320,128
	7,347,302	6,217,672
Accumulated depreciation	4,092,767	3,720,384
Total market value	\$ 3,254,535	\$ 2,497,288

Property and equipment acquired with County funds is considered to be owned by the Center while used in its operations; however, the County has a reversionary interest in the items. The disposition of such items and any proceeds there from, is subject to County regulations. The net book value of property and equipment for which the County has a reversionary interest amounted to \$18,651 in 2015 and \$43,806 in 2014.

THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 5 Refundable advance:

As of June 30, 2015 and 2014, the Center advanced \$2,040,000 and \$1,140,000, respectively, to the Children's Home of Wilkes-Barre. These unsecured advances are non-interest bearing and refundable on demand.

NOTE 6 Contribution in-kind revenue and expense:

The Center leases, at a nominal amount and on an annual basis, land and building owned by the Martha Bennett Estate and the Children's Home from which it provides client services. The Center has recorded as in-kind revenue and expense the difference between the property fair rental value and the nominal rental amount charged by such organizations. In-kind revenue and expense was \$158,000 in 2015 and \$153,402 in 2014.

NOTE 7 Retirement plans:

The Center has a defined contribution plan. Contributions amounted to \$181,105 and \$223,090 for the years ended June 30, 2015 and 2014, respectively.

NOTE 8 Significant group concentration of credit risk:

The Center grants credit to its patients, most of whom are local residents, governmental agencies and other third-party payors, primarily Medical Assistance, Blue Cross and various commercial insurance companies on an unsecured basis.

Cash accounts are maintained in a commercial bank located in Pennsylvania. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2015, cash balances in the bank exceeded the FDIC insurance coverage by \$5,484,000.

NOTE 9 Functional expenses:

The Center provides diagnostic and treatment services within its geographic location. Expenses related to providing these services for the years ended June 30 approximate the following:

	<u>2015</u>	<u>2014</u>
Diagnostic and treatment	\$ 15,081,000	\$ 14,489,000
General and administrative	2,588,000	2,519,000
Total expenses	<u>\$ 17,669,000</u>	<u>\$ 17,008,000</u>

**THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 10 Fair value measurements**

FASB ASC 820 "Fair Value Measurements" establishes a fair value hierarchy that prioritizes the reliability of inputs to valuation techniques used to measure fair value. The hierarchy gives the highest reliability to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest reliability to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Financial instruments, other than those with quoted market prices included in level 1, for which all significant inputs are observable. Fair value methodology for assets held by the perpetual trust is disclosed in Note 3. The Center's level 2 investment values are based upon quoted prices in markets that are not active, broker dealer quotations or other methods by which all significant inputs are observable, either directly or indirectly.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014.

The following tables set forth by level within the fair value hierarchy the fair values of assets held by perpetual trusts and the Center's investment assets as of June 30, 2015 and 2014:

	Assets at Fair Value as of June 30, 2015			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 12,459			\$ 12,459
Mutual funds:				
Fixed		\$ 115,775		115,775
Equity		235,443		235,443
Large cap		81,877		81,877
Perpetual trusts	12,459	433,095		445,554
Mutual fund: Equity	445,783			445,783
Equities:				
Consumer discretionary	151,849			151,849
Consumer staples	78,457			78,457
Energy	80,637			80,637
Financial	234,794			234,794
Health care	178,785			178,785
Industrials	107,665			107,665
Information technology	177,844			177,844
Materials	26,845			26,845
Telecommunications services	27,055			27,055
Utilities	18,653			18,653
Unclassified stocks	24,680			24,680
ETF equity	199,767			199,767
Other equity	5,736			5,736
U.S. Government Agency securities		300,202		300,202
U.S. Treasury Obligations		75,293		75,293
Corporate bonds				
Aa rating		302,072		302,072
A rating		851,802		851,802
Other			\$ 35,000	35,000
Center Investments	1,758,550	1,529,369	35,000	3,322,919
Total investment assets at fair value	\$ 1,771,009	\$ 1,962,464	\$ 35,000	\$ 3,768,473

THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

	Assets at Fair Value as of June 30, 2014			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 10,592			\$ 10,592
Mutual funds:				
Fixed		\$ 107,986		107,986
Equity		250,490		250,490
Balanced		10,391		10,391
Large cap		73,322		73,322
Perpetual trusts	10,592	442,189		452,781
Mutual fund: Equity	369,250			369,250
Equities:				
Consumer discretionary	84,047			84,047
Consumer staples	51,746			51,746
Energy	102,283			102,283
Financial	180,662			180,662
Health Care	118,281			118,281
Industrials	92,540			92,540
Information technology	90,256			90,256
Materials	24,974			24,974
Telecommunications services	18,513			18,513
Utilities	29,675			29,675
ETF equity	43,784			43,784
Other equity	6,829			6,829
U.S. Government Agency securities		399,535		399,535
U.S. Treasury Obligations		76,054		76,054
Corporate bonds				
Aa rating		328,804		328,804
A rating		534,032		534,032
Center Investments	1,212,840	1,338,425		2,551,265
Total investment assets at fair value	\$ 1,223,432	\$ 1,780,614		\$ 3,004,046

These investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the carrying value of the Center's investments.

**THE CHILDREN'S SERVICE CENTER OF WYOMING VALLEY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

**NOTE 11**    Medical malpractice claims coverage:

The Center's medical malpractice insurance coverages are provided under the provisions of an insurance arrangement which covers losses, if any, which are reported during the period the contract is in force, "claims made coverage". The Center believes it has adequate insurance coverages for all asserted claims and it has no knowledge of unasserted claims which would exceed its insurance coverages.

**NOTE 12**    Subsequent events:

Management has evaluated subsequent events through December 8, 2015, which is the date the financial statements were available for issue.