

**FINANCIAL STATEMENTS AND REPORTS OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
HARBORCREEK YOUTH SERVICES, INC.**

June 30, 2022 and 2021

Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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Transmittal Letter

Board of Directors of
Harborcreek Youth Services, Inc.

We have performed the Single Audit of Harborcreek Youth Services, Inc. for the year ended June 30, 2022, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of the Uniform Guidance and includes the following:

1. an audit of the financial statements and our opinion thereon, including our report on the schedule of expenditures of federal awards;
2. a 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*;
3. a report on compliance for each major program and on internal control over compliance required by the Uniform Guidance;

Root, Spitznas and Smiley, Inc.

December 5, 2022

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Independent Auditor's Report

Board of Directors of
Harborcreek Youth Services, Inc.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Harborcreek Youth Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Harborcreek Youth Services, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. 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 Harborcreek Youth Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement 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 Harborcreek Youth Services, Inc.'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 evaluating the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harborcreek Youth Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary 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 the purpose of additional analysis, and the accompanying statement of activities by fund, statement of functional expenses – community programs, schedule of county service fees, and schedule of client care days/units are also presented for purposes of additional analysis and are 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 December 5, 2022 on our consideration of Harborcreek Youth Services, Inc.'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 solely 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 the effectiveness of Harborcreek Youth Services, Inc.'s 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 Harborcreek Youth Services, Inc.'s internal control over financial reporting and compliance.

Root, Spitznagel and Smiley, LLC

ERIE, PENNSYLVANIA
December 5, 2022

FINANCIAL STATEMENTS

HARBORCREEK YOUTH SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 656,963	\$ 1,538,736
Accounts receivable	2,576,276	1,985,594
Promises to give	250,000	-
Prepaid expenses	228,961	141,002
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	3,712,200	3,665,332
RESTRICTED DEPOSITS	14,723	14,723
INVESTMENTS	3,893,497	3,932,399
BUILDINGS, PROPERTY, AND EQUIPMENT, NET	4,226,284	2,115,977
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 11,846,704</u>	<u>\$ 9,728,431</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 303,275	\$ 174,716
Accrued liabilities	897,248	1,137,356
Other liabilities	-	16,761
Short-term debt	75,421	20,000
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	1,275,944	1,348,833
LONG-TERM DEBT	780,038	60,000
 NET ASSETS		
Without donor restrictions		
Board designated for replacement of property and equipment	4,083,279	2,647,919
Board designated Fahey Memorial Fund	2,132,007	2,769,490
Undesignated	3,309,513	2,864,212
	<hr/>	<hr/>
With donor restrictions	9,524,799	8,281,621
	265,923	37,977
	<hr/>	<hr/>
TOTAL NET ASSETS	9,790,722	8,319,598
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,846,704</u>	<u>\$ 9,728,431</u>

The accompanying notes are an integral part of these statements.

HARBORCREEK YOUTH SERVICES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
SUPPORT						
Contributions & grants	\$ 1,856,741	\$ 465,923	\$ 2,322,664	\$ 675,499	\$ 75,500	\$ 750,999
TOTAL SUPPORT	1,856,741	465,923	2,322,664	675,499	75,500	750,999
REVENUE						
County service fees	1,130,162	-	1,130,162	1,092,754	-	1,092,754
Other service fees	7,882,305	-	7,882,305	7,557,543	-	7,557,543
Government funding	1,577,222	-	1,577,222	1,530,162	-	1,530,162
Work experience program	7,193	-	7,193	9,229	-	9,229
Investment return	(452,480)	-	(452,480)	788,109	-	788,109
Gain on sale of property & equipment	2,400	-	2,400	494	-	494
Miscellaneous	153,203	-	153,203	172,937	-	172,937
TOTAL REVENUE	10,300,005	-	10,300,005	11,151,228	-	11,151,228
NET ASSETS RELEASED FROM DONOR RESTRICTIONS						
Satisfied by payments	237,977	(237,977)	-	37,523	(37,523)	-
TOTAL SUPPORT AND REVENUE	12,394,723	227,946	12,622,669	11,864,250	37,977	11,902,227
EXPENSES						
PROGRAM SERVICES						
Residential Continuum Treatment	6,478,676	-	6,478,676	6,253,516	-	6,253,516
Child residential services	1,151,713	-	1,151,713	1,000,340	-	1,000,340
Education	1,672,054	-	1,672,054	1,453,111	-	1,453,111
Community programs	468,534	-	468,534	658,192	-	658,192
TOTAL PROGRAM SERVICES	9,770,977	-	9,770,977	9,365,159	-	9,365,159
SUPPORTING SERVICES						
Management and general	1,373,628	-	1,373,628	1,445,042	-	1,445,042
Fund raising	6,940	-	6,940	5,904	-	5,904
TOTAL SUPPORTING SERVICES	1,380,568	-	1,380,568	1,450,946	-	1,450,946
TOTAL EXPENSES	11,151,545	-	11,151,545	10,816,105	-	10,816,105
CHANGE IN NET ASSETS	1,243,178	227,946	1,471,124	1,048,145	37,977	1,086,122
NET ASSETS, BEGINNING OF YEAR	8,281,621	37,977	8,319,598	7,233,476	-	7,233,476
TRANSFERS						
	-	-	-	-	-	-
NET ASSETS, END OF YEAR	\$ 9,524,799	\$ 265,923	\$ 9,790,722	\$ 8,281,621	\$ 37,977	\$ 8,319,598

HARBORCREEK YOUTH SERVICES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,471,124	\$ 1,086,122
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	216,543	214,665
PPP loan forgiveness	-	(30,000)
Miscellaneous non cash expense	-	100,000
Realized gain on sale of investments	(127,628)	(560,531)
Unrealized loss (gain) on investments	679,370	(186,287)
Gain on sale of property & equipment	(2,400)	(494)
Donations of property & equipment	(952,142)	-
Increase in accounts receivable	(840,682)	(337,412)
Increase in prepaid expenses	(87,959)	(2,895)
Increase (decrease) in accounts payable	62,192	(88,369)
(Decrease) increase in accrued liabilities	(240,108)	1,743
(Decrease) increase in other liabilities	(16,761)	8,834
NET CASH PROVIDED BY OPERATING ACTIVITIES	161,549	205,376
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturities of long term investments	1,676,833	4,933,302
Purchases of long term investments	(2,189,673)	(4,880,308)
Purchases of property & equipment	(512,882)	(161,868)
Proceeds from sale of property & equipment	2,400	494
NET CASH USED IN INVESTING ACTIVITIES	(1,023,322)	(108,380)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from new borrowing	-	-
Payments on debt	(20,000)	(643,094)
NET CASH USED IN FINANCING ACTIVITIES	(20,000)	(643,094)
DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(881,773)	(546,098)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	1,553,459	2,099,557
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	\$ 671,686	\$ 1,553,459
Cash paid during the year for interest	<u>\$ 661</u>	<u>\$ 4,601</u>
Amounts reported on the statement of financial position as cash, cash equivalents and restricted cash are as follows:		
Cash and cash equivalents	\$ 656,963	\$ 1,538,736
Restricted deposits	<u>14,723</u>	<u>14,723</u>
	<u>\$ 671,686</u>	<u>\$ 1,553,459</u>

Noncash investing and financing transactions in 2022 consist of financing the cost of constructing a new building through a note payable in the amount of \$795,459. There were no such activities in 2021.

The accompanying notes are an integral part of these statements.

HARBORCREEK YOUTH SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2022 and 2021

	2022			
	Program Services			
	PRTF	Child Residential Services	Education	Community Programs
SALARIES AND RELATED EXPENSES				
Wages and salaries	\$ 3,660,329	\$ 660,199	\$ 945,272	\$ 277,501
Employee benefits and taxes	1,493,435	269,285	388,152	113,552
TOTAL SALARIES AND RELATED EXPENSES	5,153,764	929,484	1,333,424	391,053
GENERAL EXPENSES				
Contracted services	71,845	13,773	385	6,901
Supplies	16,622	1,740	9,533	809
Telephone and communication	26,364	4,556	7,052	3,998
Advertising and marketing	529	113	-	-
Transportation and travel	791	160	5,441	5,161
Staff recruitment and retention	33,309	5,279	4,958	945
Development and training	27,624	4,964	3,003	2,185
Rentals and maintenance	8,401	1,448	6,477	126
Insurance	38,591	8,512	5,225	433
Interest expense	-	-	661	-
Association dues and licenses	8,188	772	26,666	37,575
Depreciation of equipment and vehicles	57,285	11,929	6,078	3,422
Miscellaneous	-	-	-	-
TOTAL GENERAL EXPENSES	289,549	53,246	75,479	61,555
OCCUPANCY				
Insurance on building and contents	25,024	3,774	5,967	592
Repairs and maintenance	94,379	12,797	16,987	1,270
Housekeeping and janitorial	53,241	10,963	5,335	151
Utilities	76,389	11,679	17,837	1,769
Depreciation of buildings	92,510	6,773	28,576	789
Property taxes	-	-	-	-
TOTAL OCCUPANCY	341,543	45,986	74,702	4,571
DIRECT CHILD / FAMILY EXPENSE				
Food and food service	416,082	88,453	2,160	-
Medical and dental fees and supplies	32,593	6,773	-	-
Therapeutic supplies and services	40,845	7,313	135,327	482
Psychiatric and psychological services	161,524	10,584	-	1,440
Personal care	5,803	838	-	-
Recreational supplies and activities	5,462	468	161	-
Educational activities	-	-	16,949	-
Specific child assistance	15,736	3,805	32,237	672
Foster parent payments	-	-	-	8,720
Transportation	15,466	4,697	1,615	41
Religious services and supplies	309	66	-	-
TOTAL DIRECT EXPENSES OF CHILDREN AND FAMILIES	693,820	122,997	188,449	11,355
TOTAL EXPENSES	\$ 6,478,676	\$ 1,151,713	\$ 1,672,054	\$ 468,534

The accompanying notes are an integral part of these statements.

		2022			
		Supporting Services			
	Management & General	Fund Raising	Total	Total 2022	
\$ 5,543,301	\$ 804,071	-	\$ 804,071	\$ 6,347,372	
2,264,424	330,390	-	330,390	2,594,814	
7,807,725	1,134,461	-	1,134,461	8,942,186	
92,904	96,467	1,287	97,754	190,658	
28,704	30,438	862	31,300	60,004	
41,970	7,294	-	7,294	49,264	
642	124	3,133	3,257	3,899	
11,553	236	-	236	11,789	
44,491	12,822	144	12,966	57,457	
37,776	3,138	-	3,138	40,914	
16,452	11,007	-	11,007	27,459	
52,761	18,601	-	18,601	71,362	
661	-	-	-	661	
73,201	26,722	381	27,103	100,304	
78,714	4,119	-	4,119	82,833	
-	6,147	3	6,150	6,150	
479,829	217,115	5,810	222,925	702,754	
35,357	1,427	-	1,427	36,784	
125,433	3,062	-	3,062	128,495	
69,690	376	-	376	70,066	
107,674	4,268	-	4,268	111,942	
128,648	5,062	-	5,062	133,710	
466,802	14,195	-	14,195	480,997	
506,695	-	-	-	506,695	
39,366	-	-	-	39,366	
183,967	7	-	7	183,974	
173,548	-	-	-	173,548	
6,641	-	-	-	6,641	
6,091	-	-	-	6,091	
16,949	-	-	-	16,949	
52,450	-	1,130	1,130	53,580	
8,720	-	-	-	8,720	
21,819	7,850	-	7,850	29,669	
375	-	-	-	375	
1,016,621	7,857	1,130	8,987	1,025,608	
\$ 9,770,977	\$ 1,373,628	\$ 6,940	\$ 1,380,568	\$ 11,151,545	

HARBORCREEK YOUTH SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2022 and 2021

	2021			
	Program Services			
	PRTF	Child Residential Services	Education	Community Programs
SALARIES AND RELATED EXPENSES				
Wages and salaries	\$ 3,354,306	\$ 552,905	\$ 815,741	\$ 318,689
Employee benefits and taxes	1,492,310	248,075	379,744	147,230
TOTAL SALARIES AND RELATED EXPENSES	4,846,616	800,980	1,195,485	465,919
GENERAL EXPENSES				
Contracted services	99,814	18,114	1,082	9,535
Supplies	13,701	1,500	2,585	1,474
Telephone and communication	26,133	4,175	4,867	5,129
Advertising and marketing	254	46	-	304
Transportation and travel	133	24	-	3,368
Staff recruitment and retention	34,523	4,419	4,892	5,656
Development and training	27,614	4,680	4,076	2,828
Rentals and maintenance	8,824	1,296	7,129	268
Insurance	34,076	6,818	4,164	445
Interest expense	963	-	3,554	-
Association dues and licenses	6,503	318	21,967	37,354
Depreciation of equipment and vehicles	57,289	10,112	7,286	2,942
Miscellaneous	-	-	-	-
TOTAL GENERAL EXPENSES	309,827	51,502	61,602	69,303
OCCUPANCY				
Insurance on building and contents	14,680	2,103	3,507	491
Repairs and maintenance	64,124	9,208	15,601	1,672
Housekeeping and janitorial	51,965	8,255	4,763	428
Utilities	64,529	9,410	15,047	2,108
Depreciation of buildings	92,339	6,640	26,709	1,152
Property taxes	38	5	9	1
TOTAL OCCUPANCY	287,675	35,621	65,636	5,852
DIRECT CHILD / FAMILY EXPENSE				
Food and food service	390,838	69,927	1,306	-
Medical and dental fees and supplies	42,070	7,711	-	238
Therapeutic supplies and services	103,748	18,728	41,272	631
Psychiatric and psychological services	223,350	8,150	-	17,370
Personal care	6,346	843	-	-
Recreational supplies and activities	4,965	692	82	-
Educational activities	-	-	58,797	-
Specific child assistance	22,249	2,727	27,428	535
Foster parent payments	-	-	-	98,240
Transportation	15,321	3,365	1,503	29
Religious services and supplies	511	94	-	75
TOTAL DIRECT EXPENSES OF CHILDREN AND FAMILIES	809,398	112,237	130,388	117,118
TOTAL EXPENSES	\$ 6,253,516	\$ 1,000,340	\$ 1,453,111	\$ 658,192

The accompanying notes are an integral part of these statements.

2021					
Supporting Services					
	Management & General	Fund Raising	Total	Total 2021	
\$	\$	\$	\$	\$	\$
5,041,641	750,937	-	750,937	5,792,578	
2,267,359	352,001	-	352,001	2,619,360	
7,309,000	1,102,938	-	1,102,938	8,411,938	
128,545	127,683	1,277	128,960	257,505	
19,260	16,432	501	16,933	36,193	
40,304	7,914	-	7,914	48,218	
604	-	1,212	1,212	1,816	
3,525	319	-	319	3,844	
49,490	759	-	759	50,249	
39,198	2,520	-	2,520	41,718	
17,517	13,904	-	13,904	31,421	
45,503	14,725	-	14,725	60,228	
4,517	84	-	84	4,601	
66,142	32,614	381	32,995	99,137	
77,629	5,962	-	5,962	83,591	
-	103,850	-	103,850	103,850	
492,234	326,766	3,371	330,137	822,371	
20,781	839	-	839	21,620	
90,605	2,856	-	2,856	93,461	
65,411	739	-	739	66,150	
91,094	3,600	-	3,600	94,694	
126,840	4,234	-	4,234	131,074	
53	2	-	2	55	
394,784	12,270	-	12,270	407,054	
462,071	-	-	-	462,071	
50,019	-	-	-	50,019	
164,379	-	-	-	164,379	
248,870	-	-	-	248,870	
7,189	-	-	-	7,189	
5,739	-	-	-	5,739	
58,797	-	-	-	58,797	
52,939	-	2,533	2,533	55,472	
98,240	-	-	-	98,240	
20,218	3,068	-	3,068	23,286	
680	-	-	-	680	
1,169,141	3,068	2,533	5,601	1,174,742	
\$ 9,365,159	\$ 1,445,042	\$ 5,904	\$ 1,450,946	\$ 10,816,105	

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Commonwealth of Pennsylvania, Department of State, approved Harborcreek Youth Services, Inc. as a not-for-profit corporation on May 3, 1985. Effective July 1, 1985, the Agency commenced to continue the programs of the Harborcreek School for Boys, an unincorporated activity of the Roman Catholic Diocese of Erie, Pennsylvania (the Diocese). The Agency remained an affiliate of the Diocese and all of the real, personal and intangible assets, subject to any liabilities, of the Harborcreek School for Boys were given, granted and conveyed by the Bishop of the Diocese to Harborcreek Youth Services, Inc. under the Articles of Subvention made by and between the parties as of July 1, 1985. During the year ended June 30, 2021, it was approved by the Agency's Board of Directors and the Diocese to end the affiliation with the Diocese and become an independent, self-governing agency.

The Agency is a residential continuum treatment facility licensed by both the State Departments of Human Services and Education serving children and adolescents who demonstrate a history of mental illness, delinquent behavior, self-abuse behavior, aggression, or other behaviors that require intensive levels of residential treatment services. The main campus of the Agency consists of four Psychiatric Residential Treatment Facilities (PRTFs), one child residential treatment program, and a Private Residential Rehabilitative Institution school. The Agency also operates a Multisystemic Therapy program that teaches and supports parenting techniques that discourage adolescent truancy, disrespect, violence, and substance abuse. In addition, the Agency operates a Community Residential Rehabilitation Host Home Treatment Program that provides children with individualized mental health care in a foster family setting.

2. Estimates in Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

4. Asset Valuation

As documented in the Articles of Subvention dated July 1, 1985, the basis of the assets acquired and amounts of the liabilities incurred prior to July 1, 1985 are recorded at the values presented in the audited financial statements of the Harborcreek School for Boys as of June 30, 1985.

The basis of the assets acquired and amounts of the liabilities incurred following the incorporation are recorded at cost for those items purchased or constructed and fair market or appraised value at the date of the gift for those items acquired by gift.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash with an initial maturity of 30 days or less. The Agency places its temporary cash investments with high credit quality financial institutions.

6. Investments

Investments in marketable securities are stated at fair market value (see Note A14).

7. Accounts Receivable

Accounts receivable and promises to give are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and collection losses have historically been immaterial. As a result, no allowance for credit losses has been recorded.

8. Buildings, Property and Equipment

Buildings, property and equipment are recorded at cost, with the exception of those assets acquired prior to April 1, 1970, which are based on an appraisal which approximates \$755,000, as determined by an independent appraisal company at that date.

Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred, while expenditures for additions, replacements and major renewals are capitalized and depreciated using the straight-line method over their estimated useful lives.

9. Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated for support for future periods. When a donor restriction expires, 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 Statements of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions. The Agency reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

10. Functional Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses presents the natural classification of expenses by function. Expenses that can be directly identified to a program are charged to that program. Any support costs or program expenditures not directly chargeable are allocated to a program based on a multiple allocation base method.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Certain salaries and related taxes and fringe benefits are allocated among the programs and supporting services on the basis of estimates of time and effort. Those estimates are evaluated on an annual basis. Vehicle and travel related expenses are allocated on the basis of total miles driven. Food and kitchen expenses are allocated on the basis of meals served. Facilities maintenance and occupancy costs are allocated on the basis of square footage utilized. Costs related to Residential Treatment Facilities are allocated on the basis of client care days. All costs related to the administrative aspect of the Agency are allocated on the basis of total program costs in relation to total agency costs.

Title IV-E allowable costs, which include operational costs (supplies, communication, professional fees, postage, printing, transportation, equipment, dues, and insurance), occupancy costs, and/or direct care expenses are allocated on the basis of eligible salaries in relation to total salaries. The Agency believes that the bases are reasonable and are consistently applied.

11. Concentration of Credit Risk

The Agency's financial instruments that are exposed to concentrations of credit risk consist primarily of cash in the bank, money market funds with an investment broker and other investment accounts consisting primarily of equity securities and fixed income securities, as well as unconditional promises to give and accounts receivable.

The Agency's cash is primarily at one bank and is FDIC insured up to \$250,000. At various times, the Agency's cash and investment balances may be in excess of the FDIC insurance limit. The accounts receivable are primarily due from various counties and managed care agencies throughout Pennsylvania and certain state funding from the Commonwealth of Pennsylvania.

12. Tax Status

Harborcreek Youth Services, Inc. is exempt from income taxes under section 501(c) (3) of the Internal Revenue Code and comparable state laws. The Agency files annual informational returns with the IRS and the Commonwealth of Pennsylvania. The Agency has adopted the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken in a tax return. The Agency records any related interest expense and penalties, if any, as a tax expense. For the years ended June 30, 2022 and 2021, there were no unrecognized tax benefits or interest and penalty expense incurred. Tax years that remain subject to examination are years 2019 and forward.

13. Date of Management's Review

Management has evaluated subsequent events through December 5, 2022, the date the financial statements were available to be issued.

14. Fair Value Measurements

Fair value, as defined in FASB ASC 820, *Fair Value Measurements and Disclosures*, is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels.

HARBORCREEK YOUTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Level 1 consists of quoted market prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 2 consists of observable prices that are based on inputs not quoted on active markets, but are corroborated by market data. Level 3 consists of unobservable inputs which are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The Agency recognizes transfers between levels of the fair value hierarchy, if any, at the end of the reporting period. There were no such transfers at June 30, 2022

The fair market value of a financial instrument is defined in FASB ASC 825 as "the amount at which the instrument could be exchanged in a current transaction between willing parties." The carrying amount reported in the accompanying statement of financial position for accounts receivables and payables, prepaid expenses, accrued liabilities, other liabilities, and debt approximate fair value given the short-term nature of the financial instruments or conversely are based on a non-recurring assessment of fair value. Financial assets carried at fair value are classified using Level 1 inputs and consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Investments	<u>\$ 3,893,497</u>	<u>\$ 3,932,399</u>

NOTE B – RESTRICTED DEPOSITS

In 1989, the Agency elected to reimburse the Unemployment Compensation Fund of the Pennsylvania Department of Labor & Industry for benefits paid that are attributable to it, in accordance with Section 1104(a) of the Pennsylvania Unemployment Compensation Law. This election requires filing a surety bond or depositing with the Department money or securities equal to one percent of the Agency's taxable wages for the most recent four calendar quarters prior to such election. Accordingly, as of June 30, 2022 and 2021, the Agency has \$14,723 and \$14,723, respectively, on deposit with the Department to fulfill this requirement.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Service Contracts	\$ 1,695,613	\$ 1,225,427
Grants and entitlements	869,914	751,203
Other	<u>10,749</u>	<u>8,964</u>
	<u>\$ 2,576,276</u>	<u>\$ 1,985,594</u>

HARBORCREEK YOUTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE D - BUILDINGS, PROPERTY AND EQUIPMENT

Buildings, property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Life</u>
Land	\$ 1,025,000	\$ 130,857	-
Land improvements	375,085	352,585	5-10 years
Buildings and improvements	4,986,989	3,700,635	5-40 years
Equipment and furnishings	825,340	770,870	3-15 years
Vehicles	<u>343,998</u>	<u>308,632</u>	5 years
	7,556,412	5,263,579	
Less accumulated depreciation	<u>3,330,128</u>	<u>3,147,602</u>	
	<u>\$ 4,226,284</u>	<u>\$ 2,115,977</u>	

Depreciation expense for the years ended June 30, 2022 and 2021 was \$216,543 and \$214,665, respectively.

NOTE E - INVESTMENTS

Investments are stated at fair market value (see Note A14) based on quoted market prices. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period in which the income and gains are recognized. Investments consist of the following at June 30:

	<u>2022</u>		
	<u>Quoted Market Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity funds	\$ 2,427,440	\$ 2,722,611	(\$ 295,171)
Fixed income funds	1,400,157	1,605,514	(205,357)
Other	<u>65,900</u>	<u>58,455</u>	<u>7,445</u>
	<u>\$ 3,893,497</u>	<u>\$ 4,386,580</u>	<u>(\$ 493,083)</u>
	<u>2021</u>		
	<u>Quoted Market Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity funds	\$ 2,795,608	\$ 2,617,837	\$ 177,771
Fixed income funds	1,079,931	1,072,668	7,263
Other	<u>56,860</u>	<u>55,607</u>	<u>1,253</u>
	<u>\$ 3,932,399</u>	<u>\$ 3,746,112</u>	<u>\$ 186,287</u>

A portion of these funds are designated by the Board of Directors for long-term investment and the replacement of capital assets, and are included in the designated net assets on the statements of financial position.

HARBORCREEK YOUTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE E – INVESTMENTS - Continued

The following schedule summarizes the investment return and its classification in the statement of activities:

	<u>2022</u>	<u>2021</u>
Investment income, net of fees	\$ 99,262	\$ 41,291
Gain on the sale of investments	127,628	560,531
Unrealized (loss) / gain	<u>(679,370)</u>	<u>186,287</u>
	<u>\$ (452,480)</u>	<u>\$ 788,109</u>

For the years ended June 30, 2022 and 2021, expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$50,536 and \$40,313, respectively, and have been netted against investment return in the statement of activities.

NOTE F - ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Payroll withholdings and accruals	\$ 104,317	\$ 300,123
Vacation pay	349,608	370,915
Hospitalization	222,078	221,588
Pension expense	<u>221,245</u>	<u>244,730</u>
	<u>\$ 897,248</u>	<u>\$ 1,137,356</u>

NOTE G - NET ASSETS WITHOUT DONOR RESTRICTIONS

It is the policy of the Board of Directors of the Agency to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums to assure adequate financing of such improvements and acquisitions. The Board has also designated a Fahey Memorial Fund to provide financial stability to the Agency. The Board must approve all expenditures from these funds.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Information technology/dyslexia tutoring	\$ -	\$ 18,787
Capital improvements/construction	250,000	2,649
EITC contributions	-	16,541
Salary for nursing covid pandemic coordinator	9,831	-
Supply chain assistance	<u>6,092</u>	<u>-</u>
	<u>\$ 265,923</u>	<u>\$ 37,977</u>

HARBORCREEK YOUTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE I - PENSION PLAN

Effective July 1, 2009 the Agency's defined contribution pension plan and tax deferred annuity plan were merged into the Harborcreek Youth Services Retirement Savings Plan. Participation in the plan is voluntary with employees allowed to defer up to the maximum amount allowed by law. The agency's matching contribution will be determined each plan year. For the years ended June 30, 2022 and 2021, the Agency's matching contributions totaled \$82,154 and \$69,015, respectively.

The Agency may make discretionary contributions to the plan. The amount of the contribution, if any, will be determined on an annual basis. Contributions are based proportionately on annual compensation. For the years ended June 30, 2022 and 2021, the Agency contributed \$218,333 and \$175,715, respectively, to the plan.

NOTE J- LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2022</u>	<u>2021</u>
\$500,000 revolving line of credit bearing interest at 5.50%, due on demand, with monthly payments of interest only, collateralized by certain real property	\$ -	\$ -
Note payable bearing interest at 3.75% for 60 months, with 9 interest only payments and 51 payments of principle and interest of \$8,343.31. After 60 months, the note bears interest at the Federal Home Loan Bank of Pittsburgh rate plus 2.75% for the next 60 months.	795,459	-
Note payable, interest free, payable in annual installments of \$20,000, due December 6, 2024	<u>60,000</u>	<u>80,000</u>
	855,459	80,000
Less current portion	<u>75,421</u>	<u>20,000</u>
	<u>\$ 780,038</u>	<u>\$ 60,000</u>

Maturities of long-term debt in each of the five years subsequent to June 30, 2022 are as follows:

<u>Year</u>	<u>Amount</u>
June 30, 2023	\$ 55,421
June 30, 2024	92,862
June 30, 2025	95,642
June 30, 2026	78,528
June 30, 2027	81,524
Thereafter	<u>376,061</u>
	<u>\$ 780,038</u>

HARBORCREEK YOUTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE K - LIQUIDITY

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Agency places excess cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Agency could also draw on the investments in the Fahey Memorial Fund (see Note G) or on its committed line of credit (Note J)

The following reflects the Agency's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2022</u>	<u>2021</u>
Financial assets at year end:	\$ 7,391,459	\$ 7,471,452
Less those unavailable to meet cash needs for general expenditures within one year due to:		
Unemployment collateral (Note B)	(14,723)	(14,723)
Designation for Fahey Memorial Fund (Note G)	(2,132,007)	(2,769,490)
Donor restricted contributions (Note H)	<u>(265,923)</u>	<u>(37,977)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,978,806</u>	<u>\$ 4,649,262</u>

Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Agency must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

SUPPLEMENTAL INFORMATION

HARBORCREEK YOUTH SERVICES, INC.
STATEMENT OF ACTIVITIES BY FUND
For the Year Ended June 30, 2022 with Comparative Totals for 2021

	Operating Fund	Property, Plant & Equipment Fund	Father Fahey Memorial Fund	Total	
				2022	2021
SUPPORT AND REVENUE					
SUPPORT					
Contributions & grants	\$ 920,522	\$ 1,402,142	\$ -	\$ 2,322,664	\$ 750,999
TOTAL SUPPORT	920,522	1,402,142	-	2,322,664	750,999
REVENUE					
County service fees	1,130,162	-	-	1,130,162	1,092,754
Other service fees	7,882,305	-	-	7,882,305	7,557,543
Government funding	1,577,222	-	-	1,577,222	1,530,162
Work experience program	7,193	-	-	7,193	9,229
Investment return	(62,357)	(152,640)	(237,483)	(452,480)	788,109
Gain on sale of property & equipment	-	2,400	-	2,400	494
Miscellaneous	153,203	-	-	153,203	172,937
TOTAL REVENUE	10,687,728	(150,240)	(237,483)	10,300,005	11,151,228
NET ASSETS RELEASED FROM DONOR RESTRICTIONS					
	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	11,608,250	1,251,902	(237,483)	12,622,669	11,902,227
EXPENSES					
PROGRAM SERVICES					
Residential Continuum Treatment	6,328,881	149,795	-	6,478,676	6,253,516
Child residential services	1,133,011	18,702	-	1,151,713	1,000,340
Education	1,637,400	34,654	-	1,672,054	1,453,111
Community programs	464,323	4,211	-	468,534	658,192
TOTAL PROGRAM SERVICES	9,563,615	207,362	-	9,770,977	9,365,159
SUPPORTING SERVICES					
Management and general	1,364,447	9,181	-	1,373,628	1,445,042
Fund raising	6,940	-	-	6,940	5,904
TOTAL SUPPORTING SERVICES	1,371,387	9,181	-	1,380,568	1,450,946
TOTAL EXPENSES	10,935,002	216,543	-	11,151,545	10,816,105
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES					
	673,248	1,035,359	(237,483)	1,471,124	1,086,122
INTERFUND TRANSFERS					
	-	400,000	(400,000)	-	-
CHANGE IN NET ASSETS	\$ 673,248	\$ 1,435,359	\$ (637,483)	\$ 1,471,124	\$ 1,086,122

HARBORCREEK YOUTH SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES - COMMUNITY PROGRAMS
For the Year Ended June 30, 2022

	CRR	MST	Total
SALARIES AND RELATED EXPENSES			
Wages and salaries	\$ 41,462	\$ 236,039	\$ 277,501
Employee benefits and taxes	17,703	95,849	113,552
TOTAL SALARIES AND RELATED EXPENSES	59,165	331,888	391,053
GENERAL EXPENSES			
Contracted services	3,305	3,596	6,901
Supplies	37	772	809
Telephone and communication	1,087	2,911	3,998
Transportation and travel	-	5,161	5,161
Staff recruitment and retention	148	797	945
Development and training	227	1,958	2,185
Rentals and maintenance	-	126	126
Insurance	-	433	433
Association dues and licenses	577	36,998	37,575
Depreciation of equipment and vehicles	1,606	1,816	3,422
TOTAL GENERAL EXPENSES	6,987	54,568	61,555
OCCUPANCY			
Insurance on building and contents	-	592	592
Repairs and maintenance	-	1,270	1,270
Housekeeping and janitorial	-	151	151
Utilities	-	1,769	1,769
Depreciation of buildings	-	789	789
TOTAL OCCUPANCY	-	4,571	4,571
DIRECT CHILD / FAMILY EXPENSE			
Therapeutic supplies and services	60	422	482
Psychiatric and psychological services	1,440	-	1,440
Specific child assistance	-	672	672
Foster parent payments	8,720	-	8,720
Transportation	-	41	41
TOTAL DIRECT EXPENSES OF CHILDREN AND FAMILIES	10,220	1,135	11,355
TOTAL EXPENSES	\$ 76,372	\$ 392,162	\$ 468,534

HARBORCREEK YOUTH SERVICES, INC.
SCHEDULE OF COUNTY SERVICE FEES
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Allegheny Co Children & Youth	\$ 56,484	\$ 260
Allegheny Co Juvenile Probation	30,806	69,187
Clarion Co Juvenile Probation	94,875	57,750
Clearfield Co Juvenile Probation	32,190	-
Crawford Co Juvenile Probation	11,275	26,950
Erie Co Children & Youth	65,340	-
Erie Co Juvenile Probation	-	121,234
Erie Co MH/MR	-	7,084
Forest Co Juvenile Probation	81,400	-
Indiana Co Children & Youth	68,475	112,750
Jefferson Co Children & Youth	57,834	-
Lawrence Co Juvenile Probation	94,600	42,625
McKean Co DHS	-	46,200
Potter Co Juvenile Probation	-	34,100
Tioga Co Children & Youth	15,675	69,025
Venango Co Juvenile Probation	99,550	68,750
Warren Co Juvenile Probation	99,275	39,600
Washington Co Children & Youth	64,632	65,680
Washington Co Juvenile Probation	11,076	114,876
Westmoreland Co Juvenile Probation	246,675	216,683
	<u> </u>	<u> </u>
Totals	<u>\$ 1,130,162</u>	<u>\$ 1,092,754</u>

HARBORCREEK YOUTH SERVICES, INC.
SCHEDULE OF CLIENT CARE DAYS/UNITS
For the Years Ended June 30, 2022 and 2021

<u>Residential Programs - Days</u>	<u>2022</u>	<u>2021</u>
<u>Psychiatric Residential Treatment</u>		
St. Joseph House	3,962	3,946
Conway House	5,490	5,319
Wagner House	4,179	5,048
Columbus House	4,267	5,233
<u>Child Residential Services</u>		
Liberty House	3,855	3,584
Total Residential Program Client Care Days	21,753	23,130
<u>Community Programs - Days/Units</u>	<u>2022</u>	<u>2021</u>
<u>CRR Host Home - Days</u>	145	1,566
<u>Multi-Systemic Therapy - Units*</u>	5,364	4,453

* - one unit equal to 1/4 hour

HARBORCREEK YOUTH SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

<u>Grantor Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Date</u>	<u>Program or Award Amount</u>	<u>Total Received For the Year</u>
<u>U.S. Department of Education</u>					
<u>Passed through the NW Tri-County Intermediate Unit</u>					
Title I - Improving Basic Programs	84.010	N/A	7/1/21-6/30/22	\$ 210,551	\$ 210,551
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief	84.425U	N/A	3/13/20-9/30/24	558,672	-
Total passed through the NW Tri-County Intermediate Unit				<u>769,223</u>	<u>210,551</u>
<u>Passed through the Pa. Department of Education</u>					
COVID-19 - ARP ESSER PRR1 Set Aside	84.425C	224-21-1216	3/13/20-9/30/24	180,235	9,831
COVID-19 - Special Education GEER II	84.425C	262-20-0081	7/27/21-9/30/22	97,024	84,505
Total passed through the Pa. Department of Education				<u>277,259</u>	<u>94,336</u>
Total U.S. Department of Education				<u>1,046,482</u>	<u>304,887</u>
<u>U.S. Department of Agriculture</u>					
<u>Passed through the Pa. Department of Education</u>					
COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	358	7/1/21-6/30/22	614	614
<u>Nutrition Cluster</u>					
COVID-19 - Supply Chain Assistance	10.555	356	7/1/21-9/30/23	6,092	6,092
National School Lunch Program	10.555	362	7/1/21-6/30/22	103,432	93,870
Severe Need Breakfast	10.553	365	7/1/21-6/30/22	53,007	48,653
Total passed through the Pa. Department of Education				<u>163,145</u>	<u>149,229</u>
<u>Passed through the Pa. Department of Agriculture</u>					
National School Lunch Program (Non-Cash Donated Commodities)	10.555	2-01-25-250	7/1/21-6/30/22	N/A	1,288
Total U.S. Department of Agriculture				<u>163,145</u>	<u>150,517</u>
<u>U.S. Department of the Treasury</u>					
<u>Passed through the Pa. Department of Human Services</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	4/20/22-7/18/22	186,351	186,351
Total U.S. Department of the Treasury				<u>186,351</u>	<u>186,351</u>
<u>U.S. Department of Health & Human Services</u>					
COVID-19 - Provider Relief Fund	93.498	N/A	3/13/20-12/31/21	434,528	434,528
Total Provider Relief Fund				<u>434,528</u>	<u>434,528</u>
<u>Title IV-B Passed through Various Counties (Notes B & C)</u>					
Forest Co Juvenile Probation	93.556	N/A	7/1/21-6/30/22	N/A	8,430
Venango Co Juvenile Probation	93.556	N/A	7/1/21-6/30/22	N/A	3,003
Total Title IV-B passed through Various Counties				<u>-</u>	<u>11,433</u>

Accrued Revenue at July 1, 2021	Revenue Recognized	Federal Expenditures For the Year Ended June 30, 2022			Passed Through to Subrecipients	Accrued Revenue at June 30, 2022
		Pass-Thru	Direct	Total		
\$ 50,210	\$ 198,813	\$ 198,813	\$ -	\$ 198,813	\$ -	\$ 38,472
-	170,510	170,510	-	170,510	-	170,510
<u>50,210</u>	<u>369,323</u>	<u>369,323</u>	<u>-</u>	<u>369,323</u>	<u>-</u>	<u>208,982</u>
-	-	-	-	-	-	(9,831)
-	97,024	97,024	-	97,024	-	12,519
-	97,024	97,024	-	97,024	-	2,688
<u>50,210</u>	<u>466,347</u>	<u>466,347</u>	<u>-</u>	<u>466,347</u>	<u>-</u>	<u>211,670</u>
-	614	614	-	614	-	-
-	-	-	-	-	-	(6,092)
7,813	103,432	103,432	-	103,432	-	17,375
<u>4,818</u>	<u>53,007</u>	<u>53,007</u>	<u>-</u>	<u>53,007</u>	<u>-</u>	<u>9,172</u>
<u>12,631</u>	<u>157,053</u>	<u>157,053</u>	<u>-</u>	<u>157,053</u>	<u>-</u>	<u>20,455</u>
-	1,288	1,288	-	1,288	-	-
<u>12,631</u>	<u>158,341</u>	<u>158,341</u>	<u>-</u>	<u>158,341</u>	<u>-</u>	<u>20,455</u>
-	186,351	186,351	-	186,351	-	-
-	186,351	186,351	-	186,351	-	-
-	434,528	-	434,528	434,528	-	-
-	434,528	-	434,528	434,528	-	-
-	9,381	9,381	-	9,381	-	951
<u>3,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,003</u>	<u>9,381</u>	<u>9,381</u>	<u>-</u>	<u>9,381</u>	<u>-</u>	<u>951</u>

HARBORCREEK YOUTH SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

<u>Grantor Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Date</u>	<u>Program or Award Amount</u>	<u>Total Received For the Year</u>
<u>Temporary Assistance for Needy Families Passed through Various Counties (Notes B & C)</u>					
Forest Co Juvenile Probation	93.558	N/A	7/1/21-6/30/22	N/A	2,691
Total Temporary Assistance for Needy Families passed through Various Counties				-	2,691
<u>Title IV-E Passed through Various Counties (Notes B & C)</u>					
Erie Co Children & Youth	93.658	N/A	7/1/21-6/30/22	N/A	9,437
Indiana Co Children & Youth	93.658	N/A	7/1/21-6/30/22	N/A	1,595
Lawrence Co Children & Youth	93.658	N/A	7/1/21-6/30/22	N/A	23
Venango Co Juvenile Probation	93.658	N/A	7/1/21-6/30/22	N/A	83,600
Washington Co Children & Youth	93.658	N/A	7/1/21-6/30/22	N/A	15,712
Total Title IV-E passed through Various Counties				-	110,367
<u>Title XX Passed through Various Counties (Notes B & C)</u>					
Warren Co Juvenile Probation	93.667	N/A	7/1/21-6/30/22	N/A	16,110
Total Title XX passed through Various Counties				-	16,110
<u>Medicaid Cluster (Notes B & C)</u>					
<u>Medical Assistance Passed through the Pa. Department of Human Services</u>					
Pa. Department of Human Services	93.778	N/A	7/1/21-6/30/22	N/A	30,751
Total Medical Assistance passed through the Pa. Department of Human Services				-	30,751
<u>Unidentified Programs Passed through Various Counties</u>					
Clearfield Co Juvenile Probation	Note D	N/A	7/1/21-6/30/22	N/A	24,360
Total unidentified programs passed through Various Counties				-	24,360
Total U.S. Department of Health and Human Services				434,528	630,240
Total Federal Awards				\$ 1,830,506	\$ 1,271,995

Accrued Revenue at July 1, 2021	Revenue Recognized	Federal Expenditures For the Year Ended June 30, 2022			Passed Through to Subrecipients	Accrued Revenue at June 30, 2022
		Pass-Thru	Direct	Total		
-	2,994	2,994	-	2,994	-	303
-	2,994	2,994	-	2,994	-	303
4,294	6,092	6,092	-	6,092	-	949
1,595	-	-	-	-	-	-
23	-	-	-	-	-	-
-	99,550	99,550	-	99,550	-	15,950
15,712	-	-	-	-	-	-
21,624	105,642	105,642	-	105,642	-	16,899
1,721	16,920	16,920	-	16,920	-	2,531
1,721	16,920	16,920	-	16,920	-	2,531
4,342	26,409	26,409	-	26,409	-	-
4,342	26,409	26,409	-	26,409	-	-
-	32,190	32,190	-	32,190	-	7,830
-	32,190	32,190	-	32,190	-	7,830
30,690	628,064	193,536	434,528	628,064	-	28,514
\$ 93,531	\$ 1,439,103	\$ 1,004,575	\$ 434,528	\$ 1,439,103	\$ -	\$ 260,639

Total Expenditures by Assistance Listing Number

Program Title	Assistance Listing Number	Expenditures
Child Nutrition Cluster	10.553/10.555	157,727
COVID-19 - P-EBT Administrative Costs	10.649	614
COVID-19 - Coronavirus State and Local Fiscal Recover	21.027	186,351
Title I Grants to Local Educational Agencies	84.010	198,813
COVID-19 - Education Stabilization Fund	84.425	267,534
COVID-19 - Provider Relief Fund	93.498	434,528
Title IV-B	93.556	9,381
TANF Cluster	93.558	2,994
Title IV-E	93.658	105,642
Title XX	93.667	16,920
Medicaid Cluster	93.778	26,409
Unidentified	Unkown	32,190
		<u>\$ 1,439,103</u>

HARBORCREEK YOUTH SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented on the same basis of accounting, the accrual basis in accordance with generally accepted accounting principles, as the Agency's financial statements. The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs may be more than shown for a particular grant. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

NOTE B - BEGINNING ACCRUED REVENUE

Beginning accrued revenue estimated based on total federal revenue for the prior year compared to total revenue for that year, as reported on the prior year Schedule of Expenditures of Federal Awards. The beginning accrued revenue is from the prior year grant, and hence the total cash for the current year includes cash received for the prior year's grant.

NOTE C - ENDING ACCRUED REVENUE

Ending accrued revenue estimated based on total federal revenue by Funding Source for the current year compared to total revenue by Funding Source for the year. Negative accrued revenue represents temporarily restricted net assets to be spent for specific purposes in future periods.

NOTE D - UNIDENTIFIED PROGRAMS

These counties did not respond to requests made to identify the federal funds included in their per diem reimbursements to the Agency. The amounts reported on the Schedule of Expenditures of Federal Awards represent the total amount of funds provided by the counties to the Agency for the year ended June 30, 2022. Accordingly, it can not be determined what portion of these amounts, if any, represent federal funds.

NOTE E - INDIRECT COST RATE

The Agency has elected to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE F - IDENTIFICATION OF 40% RULE (20% FOR LOW RISK AUDITEES)

Total expenditures		<u>\$ 1,439,103</u>
Programs selected for testing:		
Provider Relief Fund	93.498	\$ 434,528
Education Stabilization Fund	84.425	<u>267,534</u>
Total programs selected for testing		<u>\$ 702,062</u>
% of Total Federal Assistance		<u>48.8%</u>

Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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FAX: 814-455-6799

J. Randolph Gehrlein, CPA

John W. Orlando, CPA

G. Robert Imboden, CPA

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

Board of Directors of
Harborcreek Youth Services, Inc.

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 Harborcreek Youth Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 December 5, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harborcreek Youth Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Harborcreek Youth Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Harborcreek Youth Services, Inc.'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 the entity'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 Harborcreek Youth Services, Inc.'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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Root, Spitznagel and Smiley, LLC

ERIE, PENNSYLVANIA
December 5, 2022

Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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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

Board of Directors of
Harborcreek Youth Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Harborcreek Youth Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Harborcreek Youth Services, Inc.'s major federal programs for the year ended June 30, 2022. Harborcreek Youth Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Harborcreek Youth Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Harborcreek Youth Services, Inc. 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Harborcreek Youth Services, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Harborcreek Youth Services, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Harborcreek Youth Services, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Harborcreek Youth Services, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Harborcreek Youth Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Harborcreek Youth Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Harborcreek Youth Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Rust, Spitznagel and Smiley, LLC

ERIE, PENNSYLVANIA
December 5, 2022

HARBORCREEK YOUTH SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Summary of Auditor's Results:

Financial Statements

1. Type of auditor's report issued: unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? ___yes X no
 - Significant deficiency(ies) identified? ___yes X no
3. Noncompliance material to financial statements noted? ___yes X no

Federal Awards

1. Internal control over major programs:
 - Material weakness(es) identified? ___yes X no
 - Significant deficiency(ies) identified? ___yes X no
2. Type of auditor's report issued on compliance for major programs: unmodified
3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ___yes X no
4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.498	Provider Relief Fund
84.425	Education Stabilization Fund
5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
6. Auditee qualified as low-risk auditee? ___yes X no

Audit Findings:

The audit resulted in no current findings. In addition, there were no audit findings in the prior year's audit.

HARBORCREEK YOUTH SERVICES, INC.
EXIT CONFERENCE
June 30, 2022

An exit conference was held on December 5, 2022. Participating were:

Shari Gross
Director of Finance and Treatment Services
Harborcreek Youth Services, Inc.

Aaron T. Bissell, CPA
Manager
Root, Spitznas and Smiley, Inc.

A draft of the audit report for Harborcreek Youth Services, Inc. for the year ended June 30, 2022 was reviewed. Special attention was devoted to reviewing the various reports on internal controls and compliance.

HARBORCREEK YOUTH SERVICES, INC.
LIST OF REPORT DISTRIBUTION
June 30, 2022

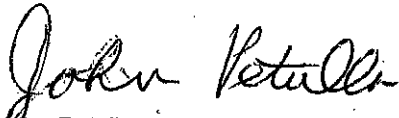
Number of Copies

1	Federal Audit Clearinghouse Submitted electronically
1	Commonwealth of Pennsylvania Office of the Budget Bureau of Audits Submitted electronically
1	Commonwealth of Pennsylvania Department of Human Services Office of Medical Assistance Programs Bureau of Fee-For-Service Programs P.O. Box 8047 Harrisburg, PA 17105
Varies	Various counties

HARBORCREEK YOUTH SERVICES, INC.

MANAGEMENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental information of Harborcreek Youth Services, Inc. and, to the best of our knowledge and belief, the same are accurate and fairly represent the financial condition and operations of the organization.



John Petulla
Chief Executive Officer
December 5, 2022



Shari Gross
Director of Finance and Treatment Services
December 5, 2022