

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

**June 30, 2020 and 2019**

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	5
STATEMENTS OF FUNCTIONAL EXPENSES	6
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTAL INFORMATION	
STATEMENT OF ACTIVITIES BY FUND	16
STATEMENT OF FUNCTIONAL EXPENSES – COMMUNITY PROGRAMS	17
SCHEDULE OF COUNTY SERVICE FEES	18
SCHEDULE OF CLIENT CARE DAYS/UNITS	19
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20
SCHEDULE OF FINDINGS AND RESPONSES	22
MANAGEMENT'S CERTIFICATION	23

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## **Independent Auditor's Report**

Most Reverend, Lawrence T. Persico, J.C.L.  
The Bishop of Erie  
and the Board of Directors of  
Harborcreek Youth Services, Inc.

### **Report on the Financial Statements**

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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 Harborcreek Youth Services, Inc. as of June 30, 2020 and 2019, 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.

## **Change in Accounting Principle**

As discussed in Note L to the financial statements, Harborcreek Youth Services, Inc. adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and Update No. 2016-18, *Statement of Cash Flows: Restricted Cash*. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 7, 2020 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 7, 2020

**FINANCIAL STATEMENTS**

**HARBORCREEK YOUTH SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,084,834	\$ 760,679
Accounts receivable	1,648,182	1,907,217
Prepaid expenses	138,107	278,825
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	3,871,123	2,946,721
RESTRICTED DEPOSITS	14,723	14,723
INVESTMENTS	3,238,575	3,184,769
BUILDINGS, PROPERTY, AND EQUIPMENT, NET	2,168,774	1,646,100
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 9,293,195</u>	<u>\$ 7,792,313</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 263,085	\$ 312,783
Accrued liabilities	1,135,613	1,181,962
Other liabilities	7,927	10,118
Short-term debt	653,094	250,000
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	2,059,719	1,754,863
<b>NET ASSETS</b>		
Without donor restrictions		
Board designated for replacement of property and equipment	2,668,472	2,829,572
Board designated Fahey Memorial Fund	2,175,475	2,105,204
Undesignated	2,389,529	1,102,674
	<hr/>	<hr/>
	7,233,476	6,037,450
With donor restrictions	-	-
	<hr/>	<hr/>
TOTAL NET ASSETS	7,233,476	6,037,450
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,293,195</u>	<u>\$ 7,792,313</u>

The accompanying notes are an integral part of these statements.

**HARBORCREEK YOUTH SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
<b>SUPPORT</b>						
Contributions & grants	\$ 1,737,491	\$ -	\$ 1,737,491	\$ 266,203	\$ -	\$ 266,203
<b>TOTAL SUPPORT</b>	<b>1,737,491</b>	<b>-</b>	<b>1,737,491</b>	<b>266,203</b>	<b>-</b>	<b>266,203</b>
<b>REVENUE</b>						
County service fees	1,131,688	-	1,131,688	855,435	-	855,435
Other service fees	7,430,053	-	7,430,053	7,682,939	-	7,682,939
Government funding	1,696,043	-	1,696,043	1,440,673	-	1,440,673
Work experience program	7,091	-	7,091	11,828	-	11,828
Investment return	128,100	-	128,100	146,651	-	146,651
(Loss) gain on sale of property & equipment	(1,782)	-	(1,782)	1,200	-	1,200
Miscellaneous	29,740	-	29,740	17,285	-	17,285
<b>TOTAL REVENUE</b>	<b>10,420,933</b>	<b>-</b>	<b>10,420,933</b>	<b>10,156,009</b>	<b>-</b>	<b>10,156,009</b>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>						
Satisfied by payments	-	-	-	11,619	(11,619)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>12,158,424</b>	<b>-</b>	<b>12,158,424</b>	<b>10,433,831</b>	<b>(11,619)</b>	<b>10,422,212</b>
<b>EXPENSES</b>						
<b>PROGRAM SERVICES</b>						
Residential Continuum Treatment	6,521,084	-	6,521,084	6,285,444	-	6,285,444
Child residential services	1,014,843	-	1,014,843	857,155	-	857,155
Education	1,464,177	-	1,464,177	1,485,644	-	1,485,644
Community programs	626,171	-	626,171	646,667	-	646,667
<b>TOTAL PROGRAM SERVICES</b>	<b>9,626,275</b>	<b>-</b>	<b>9,626,275</b>	<b>9,274,910</b>	<b>-</b>	<b>9,274,910</b>
<b>SUPPORTING SERVICES</b>						
Management and general	1,310,094	-	1,310,094	1,318,533	-	1,318,533
Fund raising	26,029	-	26,029	52,551	-	52,551
<b>TOTAL SUPPORTING SERVICES</b>	<b>1,336,123</b>	<b>-</b>	<b>1,336,123</b>	<b>1,371,084</b>	<b>-</b>	<b>1,371,084</b>
<b>TOTAL EXPENSES</b>	<b>10,962,398</b>	<b>-</b>	<b>10,962,398</b>	<b>10,645,994</b>	<b>-</b>	<b>10,645,994</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,196,026</b>	<b>-</b>	<b>1,196,026</b>	<b>(212,163)</b>	<b>(11,619)</b>	<b>(223,782)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>6,037,450</b>	<b>-</b>	<b>6,037,450</b>	<b>6,249,613</b>	<b>11,619</b>	<b>6,261,232</b>
<b>TRANSFERS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 7,233,476</b>	<b>\$ -</b>	<b>\$ 7,233,476</b>	<b>\$ 6,037,450</b>	<b>\$ -</b>	<b>\$ 6,037,450</b>

The accompanying notes are an integral part of these statements.

**HARBORCREEK YOUTH SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,196,026	\$ (223,782)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	204,465	191,566
Realized gain on sale of investments	(26,332)	(58,991)
Unrealized gain on investments	(60,939)	(43,663)
Loss (gain) on sale of property & equipment	1,782	(1,200)
Decrease (increase) in accounts receivable	259,035	(262,747)
Decrease (increase) in prepaid expenses	140,718	(17,672)
(Decrease) increase in accounts payable	(49,698)	87,740
(Decrease) increase in accrued liabilities	(46,349)	300,005
(Decrease) increase in other liabilities	(2,191)	1,659
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 1,616,517	 (27,085)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale and maturities of long term investments	268,537	213,802
Purchases of long term investments	(235,072)	(302,919)
Purchases of property & equipment	(730,046)	(318,083)
Proceeds from sale of property & equipment	1,125	1,200
 NET CASH USED IN INVESTING ACTIVITIES	 (695,456)	 (406,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from new borrowing	403,094	-
Payments on debt	-	(250,000)
 NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	 403,094	 (250,000)
 INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	 1,324,155	 (683,085)
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	 775,402	 1,458,487
 <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR</b>	 <b><u>\$ 2,099,557</u></b>	 <b><u>\$ 775,402</u></b>
 Cash paid during the year for interest	 <u>\$ 14,438</u>	 <u>\$ 17,293</u>
 Amounts reported on the statement of financial position as cash, cash equivalents and restricted cash are as follows:		
Cash and cash equivalents	\$ 2,084,834	\$ 760,679
Restricted deposits	14,723	14,723
	<u>\$ 2,099,557</u>	<u>\$ 775,402</u>

The accompanying notes are an integral part of these statements.



**HARBORCREEK YOUTH SERVICES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2020 and 2019**

	2020			
	Program Services			
	PRTF	Child Residential Services	Education	Community Programs
<b>SALARIES AND RELATED EXPENSES</b>				
Wages and salaries	\$ 3,546,044	\$ 566,878	\$ 842,572	\$ 315,069
Employee benefits and taxes	1,584,759	249,456	374,274	143,200
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>5,130,803</b>	<b>816,334</b>	<b>1,216,846</b>	<b>458,269</b>
<b>GENERAL EXPENSES</b>				
Contracted services	59,613	10,314	2,088	8,360
Supplies	43,217	6,619	13,435	5,727
Telephone and communication	33,928	5,301	7,240	6,590
Advertising and marketing	1,363	253	-	14
Transportation and travel	4,185	441	223	3,994
Staff recruitment, retention and development	36,574	5,724	5,326	7,211
Rentals and maintenance	6,521	1,048	5,778	136
Insurance	34,595	5,883	3,783	507
Interest expense	1,253	-	13,185	-
Association dues and licenses	5,402	308	302	37,054
Depreciation of equipment and vehicles	60,294	9,749	6,645	3,138
Miscellaneous	-	-	-	-
<b>TOTAL GENERAL EXPENSES</b>	<b>286,945</b>	<b>45,640</b>	<b>58,005</b>	<b>72,731</b>
<b>OCCUPANCY</b>				
Insurance on building and contents	12,745	1,832	3,046	427
Repairs and maintenance	69,967	9,401	19,215	1,932
Housekeeping and janitorial	48,975	8,240	2,871	221
Utilities	65,222	9,534	15,237	2,134
Depreciation of buildings	81,268	7,450	27,156	1,381
<b>TOTAL OCCUPANCY</b>	<b>278,177</b>	<b>36,457</b>	<b>67,525</b>	<b>6,095</b>
<b>DIRECT CHILD / FAMILY EXPENSE</b>				
Food and food service	413,275	78,890	1,954	-
Clothing	-	-	-	-
Medical and dental fees and supplies	38,772	7,246	-	-
Therapeutic supplies and services	64,859	12,608	76,842	254
Psychiatric and psychological services	238,080	4,550	-	16,830
Personal care	4,841	627	12	2
Recreational supplies and activities	12,513	1,972	97	-
Educational activities	-	-	17,802	-
Specific child assistance	21,294	4,668	21,668	532
Foster parent payments	-	-	-	71,185
Transportation	30,161	5,598	3,426	273
Religious services and supplies	1,364	253	-	-
<b>TOTAL DIRECT EXPENSES OF CHILDREN AND FAMILIES</b>	<b>825,159</b>	<b>116,412</b>	<b>121,801</b>	<b>89,076</b>
<b>TOTAL EXPENSES</b>	<b>\$ 6,521,084</b>	<b>\$ 1,014,843</b>	<b>\$ 1,464,177</b>	<b>\$ 626,171</b>

The accompanying notes are an integral part of these statements.

2020				
Supporting Services				
Total	Management & General	Fund Raising	Total	Total 2020
\$ 5,270,563	\$ 753,429	\$ -	\$ 753,429	\$ 6,023,992
2,351,689	341,918	-	341,918	2,693,607
7,622,252	1,095,347	-	1,095,347	8,717,599
80,375	110,933	1,166	112,099	192,474
68,998	17,275	357	17,632	86,630
53,059	8,925	-	8,925	61,984
1,630	315	7,341	7,656	9,286
8,843	938	-	938	9,781
54,835	(28)	12,683	12,655	67,490
13,483	12,808	-	12,808	26,291
44,768	13,470	-	13,470	58,238
14,438	-	-	-	14,438
43,066	29,648	-	29,648	72,714
79,826	3,542	-	3,542	83,368
-	1,396	-	1,396	1,396
463,321	199,222	21,547	220,769	684,090
18,050	729	-	729	18,779
100,515	3,249	-	3,249	103,764
60,307	382	-	382	60,689
92,127	3,645	-	3,645	95,772
117,255	3,842	-	3,842	121,097
388,254	11,847	-	11,847	400,101
494,119	-	-	-	494,119
-	-	-	-	-
46,018	-	-	-	46,018
154,563	1	-	1	154,564
259,460	-	-	-	259,460
5,482	3	-	3	5,485
14,582	-	-	-	14,582
17,802	-	-	-	17,802
48,162	-	4,482	4,482	52,644
71,185	-	-	-	71,185
39,458	3,674	-	3,674	43,132
1,617	-	-	-	1,617
1,152,448	3,678	4,482	8,160	1,160,608
<u>\$ 9,626,275</u>	<u>\$ 1,310,094</u>	<u>\$ 26,029</u>	<u>\$ 1,336,123</u>	<u>\$ 10,962,398</u>

**HARBORCREEK YOUTH SERVICES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2020 and 2019

	2019			
	Program Services			
	PRTF	Child Residential Services	Education	Community Programs
<b>SALARIES AND RELATED EXPENSES</b>				
Wages and salaries	\$ 3,377,217	\$ 480,023	\$ 809,463	\$ 322,012
Employee benefits and taxes	1,573,443	225,916	388,460	160,906
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>4,950,660</b>	<b>705,939</b>	<b>1,197,923</b>	<b>482,918</b>
<b>GENERAL EXPENSES</b>				
Contracted services	51,692	8,577	10,674	7,796
Supplies	16,601	1,025	8,054	4,006
Telephone and communication	30,256	4,233	5,145	5,553
Advertising and marketing	4,501	574	393	1,278
Transportation and travel	9,311	540	1,849	5,787
Staff recruitment, retention and development	38,699	3,446	3,110	5,930
Rentals and maintenance	7,609	1,105	6,298	233
Insurance	31,899	4,667	3,950	415
Interest expense	-	-	17,293	-
Association dues and licenses	2,765	256	3,074	36,027
Depreciation of equipment and vehicles	62,905	9,106	6,959	3,047
Miscellaneous	33	4	-	-
<b>TOTAL GENERAL EXPENSES</b>	<b>256,271</b>	<b>33,533</b>	<b>66,799</b>	<b>70,072</b>
<b>OCCUPANCY</b>				
Insurance on building and contents	12,093	1,766	3,216	450
Repairs and maintenance	54,865	7,242	16,620	1,537
Housekeeping and janitorial	34,331	4,146	3,945	187
Utilities	66,300	9,830	17,251	2,416
Depreciation of buildings	66,404	7,075	27,197	1,423
<b>TOTAL OCCUPANCY</b>	<b>233,993</b>	<b>30,059</b>	<b>68,229</b>	<b>6,013</b>
<b>DIRECT CHILD / FAMILY EXPENSE</b>				
Food and food service	423,628	57,911	1,696	-
Clothing	-	-	-	-
Medical and dental fees and supplies	16,090	1,619	-	-
Therapeutic supplies and services	77,571	8,915	85,429	1,528
Psychiatric and psychological services	259,194	7,794	-	13,922
Personal care	5,538	767	-	-
Recreational supplies and activities	5,277	638	-	63
Educational activities	-	-	31,906	-
Specific child assistance	21,646	3,833	29,198	832
Foster parent payments	-	-	-	71,250
Transportation	33,475	5,879	4,464	69
Religious services and supplies	2,101	268	-	-
<b>TOTAL DIRECT EXPENSES OF CHILDREN AND FAMILIES</b>	<b>844,520</b>	<b>87,624</b>	<b>152,693</b>	<b>87,664</b>
<b>TOTAL EXPENSES</b>	<b>\$ 6,285,444</b>	<b>\$ 857,155</b>	<b>\$ 1,485,644</b>	<b>\$ 646,667</b>

The accompanying notes are an integral part of these statements.

2019				
Supporting Services				
Total	Management & General	Fund Raising	Total	Total 2019
\$ 4,988,715	\$ 755,068	\$ -	\$ 755,068	\$ 5,743,783
2,348,725	355,541	-	355,541	2,704,266
<u>7,337,440</u>	<u>1,110,609</u>	<u>-</u>	<u>1,110,609</u>	<u>8,448,049</u>
78,739	75,507	1,907	77,414	156,153
29,686	19,213	341	19,554	49,240
45,187	8,463	-	8,463	53,650
6,746	250	21,048	21,298	28,044
17,487	4,834	-	4,834	22,321
51,185	13,085	25,175	38,260	89,445
15,245	12,888	-	12,888	28,133
40,931	11,629	-	11,629	52,560
17,293	-	-	-	17,293
42,122	44,402	254	44,656	86,778
82,017	3,632	-	3,632	85,649
37	2,409	500	2,909	2,946
<u>426,675</u>	<u>196,312</u>	<u>49,225</u>	<u>245,537</u>	<u>672,212</u>
17,525	769	-	769	18,294
80,264	2,625	-	2,625	82,889
42,609	273	-	273	42,882
95,797	4,127	-	4,127	99,924
<u>102,099</u>	<u>3,818</u>	<u>-</u>	<u>3,818</u>	<u>105,917</u>
<u>338,294</u>	<u>11,612</u>	<u>-</u>	<u>11,612</u>	<u>349,906</u>
483,235	-	-	-	483,235
-	-	-	-	-
17,709	-	-	-	17,709
173,443	-	-	-	173,443
280,910	-	-	-	280,910
6,305	-	-	-	6,305
5,978	-	-	-	5,978
31,906	-	-	-	31,906
55,509	-	3,326	3,326	58,835
71,250	-	-	-	71,250
43,887	-	-	-	43,887
2,369	-	-	-	2,369
<u>1,172,501</u>	<u>-</u>	<u>3,326</u>	<u>3,326</u>	<u>1,175,827</u>
<u>\$ 9,274,910</u>	<u>\$ 1,318,533</u>	<u>\$ 52,551</u>	<u>\$ 1,371,084</u>	<u>\$ 10,645,994</u>

**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). 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.

The Agency is a residential continuum treatment facility licensed by both the State Departments of Public Welfare 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.

**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.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**6. Investments**

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

**7. Accounts Receivable**

Accounts receivable 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.

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.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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, 2020 and 2019, there were no unrecognized tax benefits or interest and penalty expense incurred. Tax years that remain subject to examination are years 2017 and forward.

**13. Date of Management's Review**

Management has evaluated subsequent events through December 7, 2020, 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.

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.

**HARBORCREEK YOUTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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, 2020

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>2020</u>	<u>2019</u>
Investments	<u>\$ 3,238,575</u>	<u>\$ 3,184,769</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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Service Contracts	\$ 927,001	\$ 1,364,950
Grants and entitlements	684,516	296,854
Stop-loss reimbursements	10,483	226,096
Other	<u>26,182</u>	<u>19,317</u>
	<u>\$ 1,648,182</u>	<u>\$ 1,907,217</u>

**NOTE D - BUILDINGS, PROPERTY AND EQUIPMENT**

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

	<u>2020</u>	<u>2019</u>	Estimated Useful Life
Land	\$ 130,857	\$ 99,900	-
Land improvements	352,585	275,972	5-10 years
Buildings and improvements	3,610,545	3,016,720	5-40 years
Equipment and furnishings	699,093	714,224	3-15 years
Vehicles	<u>330,530</u>	<u>357,647</u>	5 years
	5,123,610	4,464,463	
Less accumulated depreciation	<u>2,954,836</u>	<u>2,818,363</u>	
	<u>\$ 2,168,774</u>	<u>\$ 1,646,100</u>	



**HARBORCREEK YOUTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

**NOTE D - BUILDINGS, PROPERTY AND EQUIPMENT - Continued**

Depreciation expense for the years ended June 30, 2020 and 2019 was \$204,465 and \$191,566, 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:

	2020		
	Quoted Market Value	Cost	Unrealized Appreciation (Depreciation)
Equity funds	\$ 1,932,492	\$ 1,628,423	\$ 304,069
Fixed income funds	<u>1,306,083</u>	<u>1,266,319</u>	<u>39,764</u>
	<u>\$ 3,238,575</u>	<u>\$ 2,894,742</u>	<u>\$ 343,833</u>
	2019		
	Quoted Market Value	Cost	Unrealized Appreciation (Depreciation)
Equity funds	\$ 1,865,740	\$ 1,584,350	\$ 281,390
Fixed income funds	<u>1,319,029</u>	<u>1,317,525</u>	<u>1,504</u>
	<u>\$ 3,184,769</u>	<u>\$ 2,901,875</u>	<u>\$ 282,894</u>

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.

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

	2020	2019
Investment income, net of fees	\$ 40,829	\$ 43,997
Gain on the sale of investments	26,332	58,991
Unrealized gain	<u>60,939</u>	<u>43,663</u>
	<u>\$ 128,100</u>	<u>\$ 146,651</u>

For the years ended June 30, 2020 and 2019, expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$29,759 and \$29,957, respectively, and have been netted against investment return in the statement of activities.

**HARBORCREEK YOUTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE F - ACCRUED LIABILITIES**

Accrued liabilities consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Payroll withholdings and accruals	\$ 328,056	\$ 215,871
Vacation pay	369,089	370,904
Hospitalization	181,741	346,866
Pension expense	<u>256,727</u>	<u>248,321</u>
	<u>\$ 1,135,613</u>	<u>\$ 1,181,962</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 - 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, 2020 and 2019, the Agency's matching contributions totaled \$75,404 and \$77,187, 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, 2020 and 2019, the Agency contributed \$181,323 and \$171,134, respectively, to the plan.

**NOTE I - SHORT-TERM DEBT**

Short-term debt consists of the following:

	<u>2020</u>	<u>2019</u>
2 revolving lines of credit bearing interest at 2.17% and 2.18%, due on demand, with monthly payments of interest only, collateralized by investments in the Fahey Memorial Fund	\$ 573,619	\$ 250,000
Revolving line of credit bearing interest at 9.99% with monthly payments equal to the greater of \$15 or 3% of the account balance (1)	49,475	-
Paycheck protection program (PPP) loan (2)	<u>30,000</u>	<u>-</u>
	<u>\$ 653,094</u>	<u>\$ 250,000</u>

**HARBORCREEK YOUTH SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE I- SHORT-TERM DEBT – Continued**

- (1) No interest will be charged on this line if the entire balance is paid off within six months. The Agency intends to pay off the balance within the promotional period. As a result, the entire balance of the line has been classified as a current liability.
- (2) On April 17, 2020, the Agency received loan proceeds in the amount of \$1,649,300 under the Paycheck Protection Program established as part of the CARES Act. The loan and accrued interest are forgivable provided the Agency uses the proceeds on eligible expenses and meets other criteria related to number of employees and salary levels. The unforgiven portion of the loan is payable in 18 months at a rate of 1% beginning after the deferment period, which ends when loan forgiveness is determined. The Agency expects that substantially all of the loan will be forgiven. Therefore, \$1,619,300 of the loan has been recorded as contributions on the Statements of Activities in accordance with FASB ASC 958-605. The remaining \$30,000 has been included as debt on the Statements of Financial Position.

**NOTE J - 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 upon \$2,000,000 of available lines of credit (as further discussed in Note I) or the Fahey Memorial Fund (see Note G)

The following reflects the Agency's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2020</u>	<u>2019</u>
Financial assets at year end:	\$ 6,986,314	\$ 5,867,388
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)	<u>( 2,175,475)</u>	<u>( 2,105,204)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,796,116</u>	<u>\$ 3,747,461</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.

**NOTE K – RISKS AND UNCERTAINTIES**

On March 11, 2020, a global pandemic was declared by the World Health Organization related to the COVID-19 outbreak, which continues to spread throughout the United States. The full impact of this outbreak continues to evolve as of the date of this report. The pandemic has greatly affected global economic activity and has caused significant volatility in financial markets. The Agency's operations rely on donations from individuals and corporations.

**NOTE K – RISKS AND UNCERTAINTIES - Continued**

Additionally, access to grants and contracts from federal, state, and local governments may decrease depending on availability of funding. The pandemic may have a continued material adverse impact on economic and market conditions, triggering a period of economic slowdown. Given the uncertainty surrounding the pandemic, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined at this time.

**NOTE L – CHANGE IN ACCOUNTING PRINCIPLE**

Effective July 1, 2019, the Agency adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and Update No. 2016-18, *Statement of Cash Flows: Restricted Cash*. The new standards change the recognition of revenue from grants received by the Agency. Instead of recognizing revenue as expenditures were incurred, revenue from grants is now treated as a non-exchange transaction and revenue is recognized as an unconditional contribution with donor restrictions as to its use. The Standards also change the presentation of certain restricted cash balances on the statement of cash flows. The change had no effect on net assets for any period presented.

**SUPPLEMENTAL INFORMATION**

**HARBORCREEK YOUTH SERVICES, INC.**  
**STATEMENT OF ACTIVITIES BY FUND**  
**For the Year Ended June 30, 2020 with Comparative Totals for 2019**

	Operating Fund	Property, Plant & Equipment Fund	Father Fahey Memorial Fund	Total	
				2020	2019
<b>SUPPORT AND REVENUE</b>					
<b>SUPPORT</b>					
Contributions & grants	\$ 1,737,491	\$ -	\$ -	\$ 1,737,491	\$ 266,203
<b>TOTAL SUPPORT</b>	<b>1,737,491</b>	<b>-</b>	<b>-</b>	<b>1,737,491</b>	<b>266,203</b>
<b>REVENUE</b>					
County service fees	1,131,688	-	-	1,131,688	855,435
Other service fees	7,430,053	-	-	7,430,053	7,682,939
Government funding	1,696,043	-	-	1,696,043	1,440,673
Work experience program	7,091	-	-	7,091	11,826
Investment return	-	45,146	82,954	128,100	146,651
Loss on sale of property & equipment	-	(1,782)	-	(1,782)	1,200
Miscellaneous	29,740	-	-	29,740	17,285
<b>TOTAL REVENUE</b>	<b>10,294,615</b>	<b>43,364</b>	<b>82,954</b>	<b>10,420,933</b>	<b>10,156,009</b>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>					
	-	-	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>12,032,106</b>	<b>43,364</b>	<b>82,954</b>	<b>12,158,424</b>	<b>10,422,212</b>
<b>EXPENSES</b>					
<b>PROGRAM SERVICES</b>					
Residential Continuum Treatment	6,379,522	141,562	-	6,521,084	6,285,444
Child residential services	997,644	17,199	-	1,014,843	857,155
Education	1,430,376	33,801	-	1,464,177	1,485,644
Community programs	621,652	4,519	-	626,171	646,667
<b>TOTAL PROGRAM SERVICES</b>	<b>9,429,194</b>	<b>197,081</b>	<b>-</b>	<b>9,626,275</b>	<b>9,274,910</b>
<b>SUPPORTING SERVICES</b>					
Management and general	1,302,710	7,384	-	1,310,094	1,318,533
Fund raising	13,346	-	12,683	26,029	52,551
<b>TOTAL SUPPORTING SERVICES</b>	<b>1,316,056</b>	<b>7,384</b>	<b>12,683</b>	<b>1,336,123</b>	<b>1,371,084</b>
<b>TOTAL EXPENSES</b>	<b>10,745,250</b>	<b>204,465</b>	<b>12,683</b>	<b>10,962,398</b>	<b>10,645,994</b>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>					
	1,286,856	(161,101)	70,271	1,196,026	(223,782)
<b>INTERFUND TRANSFERS</b>					
	-	-	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>\$ 1,286,856</b>	<b>\$ (161,101)</b>	<b>\$ 70,271</b>	<b>\$ 1,196,026</b>	<b>\$ (223,782)</b>

**HARBORCREEK YOUTH SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES - COMMUNITY PROGRAMS**  
**For the Year Ended June 30, 2020**

	<u>CRR</u>	<u>MST</u>	<u>Total</u>
<b>SALARIES AND RELATED EXPENSES</b>			
Wages and salaries	\$ 166,944	\$ 148,125	\$ 315,069
Employee benefits and taxes	77,122	66,078	143,200
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>244,066</b>	<b>214,203</b>	<b>458,269</b>
<b>GENERAL EXPENSES</b>			
Contracted services	4,802	3,558	8,360
Supplies	1,531	4,196	5,727
Telephone and communication	3,382	3,208	6,590
Advertising and marketing	-	14	14
Transportation and travel	42	3,952	3,994
Staff recruitment, retention and development	3,590	3,621	7,211
Rentals and maintenance	40	96	136
Insurance	125	382	507
Association dues and licenses	881	36,173	37,054
Depreciation of equipment and vehicles	1,461	1,677	3,138
<b>TOTAL GENERAL EXPENSES</b>	<b>15,854</b>	<b>56,877</b>	<b>72,731</b>
<b>OCCUPANCY</b>			
Insurance on building and contents	125	302	427
Repairs and maintenance	585	1,347	1,932
Housekeeping and janitorial	65	156	221
Utilities	623	1,511	2,134
Depreciation of buildings	403	978	1,381
<b>TOTAL OCCUPANCY</b>	<b>1,801</b>	<b>4,294</b>	<b>6,095</b>
<b>DIRECT CHILD / FAMILY EXPENSE</b>			
Therapeutic supplies and services	181	73	254
Psychiatric and psychological services	16,830	-	16,830
Recreational supplies and activities	1	1	2
Specific child assistance	21	511	532
Foster parent payments	71,185	-	71,185
Transportation	18	255	273
<b>TOTAL DIRECT EXPENSES OF CHILDREN AND FAMILIES</b>	<b>88,236</b>	<b>840</b>	<b>89,076</b>
<b>TOTAL EXPENSES</b>	<b>\$ 349,957</b>	<b>\$ 276,214</b>	<b>\$ 626,171</b>

**HARBORCREEK YOUTH SERVICES, INC.**  
**SCHEDULE OF COUNTY SERVICE FEES**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Allegheny Co Children & Youth	\$ 54,361	\$ -
Allegheny Co Juvenile Probation	275,185	240,592
Armstrong Co Children & Youth	83,600	-
Chautauqua County	8,694	54,432
Cambria Co Children & Youth	-	2,200
Clarion Co Children & Youth	-	61,050
Clarion Co Juvenile Probation	39,325	-
Crawford Co Juvenile Probation	33,825	47,025
Dauphin Co Juvenile Probation	35,910	-
Erie Co Children & Youth	74,767	76,159
Erie Co Juvenile Probation	8,424	10,854
Erie Co MH/MR	11,627	13,783
Franklin Co Juvenile Probation	-	6,325
Indiana Co Children & Youth	61,050	27,225
Lackawanna Co Juvenile Probation	30,988	9,872
Lawrence Co Children & Youth	-	269
Lawrence Co Juvenile Probation	96,250	-
Mercer Co Juvenile Probation	-	5,225
Potter Co Juvenile Probation	62,150	-
Venango Co Juvenile Probation	-	56,100
Venango Co Children & Youth	-	9,075
Warren Co Juvenile Probation	44,550	50,050
Washington Co Juvenile Probation	69,029	92,983
Westmoreland Co Juvenile Probation	141,953	92,216
	<u>                  </u>	<u>                  </u>
Totals	<u>\$ 1,131,688</u>	<u>\$ 855,435</u>



**HARBORCREEK YOUTH SERVICES, INC.**  
**SCHEDULE OF CLIENT CARE DAYS/UNITS**  
**For the Years Ended June 30, 2020 and 2019**

<u>Residential Programs - Days</u>	<u>2020</u>	<u>2019</u>
<u>Psychiatric Residential Treatment</u>		
St. Joseph House	4,300	4,330
Conway House	4,977	5,074
Wagner House	5,201	5,532
Columbus House	5,496	5,659
<u>Child Residential Services</u>		
Liberty House	3,706	2,627
<b>Total Residential Program Client Care Days</b>	<b>23,680</b>	<b>23,222</b>
<u>Community Programs - Days/Units</u>	<u>2020</u>	<u>2019</u>
<u>CRR Host Home - Days</u>	1,120	1,070
<u>Multi-Systemic Therapy - Units*</u>	4,254	6,291

\* - one unit equal to 1/4 hour

# Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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John W. Orlando, 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

Most Reverend, Lawrence T. Persico, J.C.L.  
The Bishop of Erie  
and the 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, 2020, 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 7, 2020.

### **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.

### **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 7, 2020

**HARBORCREEK YOUTH SERVICES, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2020**

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**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 deficiencies identified that are not considered to be material weaknesses? \_\_\_ yes X none
3. Noncompliance material to financial statements noted? \_\_\_ yes X no

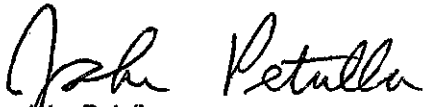
**Audit Findings:**

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

**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 7, 2020



Shari Gross  
Director of Behavioral Health Services  
December 7, 2020