

**CORA SERVICES, INC. AND
THE CORA SERVICES
FOUNDATION**

Combined Financial Statements

June 30, 2017 and 2016

**Kreischer
Miller**

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CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION
June 30, 2017 and 2016

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Independent Auditors' Report

The Board of Directors of
CORA Services, Inc. and The CORA Services Foundation
Philadelphia, Pennsylvania

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of CORA Services, Inc. and The CORA Services Foundation, which comprise the combined statements of financial position as of June 30, 2017 and 2016, and the related combined statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits 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 *City of Philadelphia Subrecipient Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the organization's preparation and fair presentation of the combined 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 organization'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of CORA Services, Inc. and The CORA Services Foundation as of June 30, 2017 and 2016, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information on pages 19 through 23 is presented for purposes of additional analysis as required by the Department of Public Health in the City of Philadelphia and the *City of Philadelphia Subrecipient Audit Guide* and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined 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 September 29, 2017 on our consideration of CORA Services, Inc. and The CORA Services Foundation's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CORA Services, Inc. and The CORA Services Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Kreischer Miller".

Horsham, Pennsylvania
September 29, 2017

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Combined Statements of Financial Position Years Ended June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 561,909	\$ 435,274
Grants and contracts receivable, net of allowance of \$58,040 and \$61,781 in 2017 and 2016, respectively	3,375,914	3,136,433
Prepaid expenses	21,038	16,630
Total current assets	3,958,861	3,588,337
Property and equipment, net	6,473,324	6,676,007
	<u>\$ 10,432,185</u>	<u>\$ 10,264,344</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 176,462	\$ 168,370
Accounts payable and accrued expenses	653,445	656,296
Accrued wages and compensated absences	2,290,169	2,007,099
Deferred revenue	139,419	153,349
Total current liabilities	3,259,495	2,985,114
Long-term debt, net of current portion	1,184,356	1,361,075
Total liabilities	<u>4,443,851</u>	<u>4,346,189</u>
Net assets:		
Unrestricted	5,951,941	5,865,067
Temporarily restricted	36,393	53,088
	<u>5,988,334</u>	<u>5,918,155</u>
	<u>\$ 10,432,185</u>	<u>\$ 10,264,344</u>

See accompanying notes to combined financial statements.

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Combined Statements of Activities and Changes in Net Assets Years Ended June 30, 2017 and 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grants and contracts	\$ 17,242,062	\$ -	\$ 17,242,062
Fees and services	1,332,913	-	1,332,913
Contributions and fundraising	308,310	65,554	373,864
Special events, net of expenses of \$55,309 and \$62,089 in 2017 and 2016, respectively	88,330	-	88,330
Interest income	91	-	91
Rental income	96,930	-	96,930
Net assets released from restrictions	82,249	(82,249)	-
	19,150,885	(16,695)	19,134,190
Expenses:			
Program services:			
Auxiliary services to nonpublic schools	6,906,449	-	6,906,449
Counseling and prevention/intervention	2,179,696	-	2,179,696
Charter and other school services	4,754,890	-	4,754,890
Early childhood services	1,806,732	-	1,806,732
After school programs	645,176	-	645,176
	16,292,943	-	16,292,943
Supporting services:			
Management and general	1,713,075	-	1,713,075
Building maintenance and occupancy	813,971	-	813,971
Promotional and fundraising	244,022	-	244,022
	19,064,011	-	19,064,011
Change in net assets	86,874	(16,695)	70,179
Net assets at beginning of year	5,865,067	53,088	5,918,155
Net assets at end of year	\$ 5,951,941	\$ 36,393	\$ 5,988,334

See accompanying notes to combined financial statements.

2016		
Unrestricted	Temporarily Restricted	Total
\$ 16,373,339	\$ -	\$ 16,373,339
1,377,420	-	1,377,420
182,471	56,045	238,516
101,213	-	101,213
94	-	94
98,140	-	98,140
103,492	(103,492)	-
18,236,169	(47,447)	18,188,722
7,084,246	-	7,084,246
2,032,738	-	2,032,738
4,132,876	-	4,132,876
1,725,239	-	1,725,239
351,193	-	351,193
15,326,292	-	15,326,292
1,647,037	-	1,647,037
770,339	-	770,339
186,771	-	186,771
17,930,439	-	17,930,439
305,730	(47,447)	258,283
5,559,337	100,535	5,659,872
\$ 5,865,067	\$ 53,088	\$ 5,918,155

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Combined Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services				
	Auxiliary Services to Nonpublic Schools	Counseling and Prevention/ Intervention	Charter and Other School Services	Early Childhood Services	After School Programs
Salaries	\$ 5,092,122	\$ 1,623,253	\$ 3,016,302	\$ 1,327,819	\$ 455,013
Payroll taxes and fringe benefits	1,339,547	382,989	712,008	316,378	74,157
Total employee compensation	6,431,669	2,006,242	3,728,310	1,644,197	529,170
Consultants and professional fees	38,080	29,367	976,543	51,600	10,428
Occupancy	50,329	-	-	37,661	3,518
Supplies and other program related expenses	235,994	60,647	27,096	36,010	87,337
Equipment, rental, maintenance and repair	58,121	33,532	3,031	15,920	7,232
Automobile and travel	35,119	36,986	13,063	2,876	5,359
Insurance	-	-	-	-	-
Donations	-	-	300	-	-
Advertising	-	-	250	-	-
Telephone	48,811	12,922	6,297	11,638	2,132
Interest	-	-	-	-	-
	466,454	173,454	1,026,580	155,705	116,006
Depreciation	8,326	-	-	6,830	-
	474,780	173,454	1,026,580	162,535	116,006
Total expenses	\$ 6,906,449	\$ 2,179,696	\$ 4,754,890	\$ 1,806,732	\$ 645,176

Supporting Services			
Management and General	Building Maintenance and Occupancy	Promotional and Fundraising	Total
\$ 978,968	\$ 168,242	\$ 136,479	\$ 12,798,198
258,637	44,385	30,236	3,158,337
1,237,605	212,627	166,715	15,956,535
235,862	2,960	37,515	1,382,355
-	209,005	-	300,513
70,921	781	28,238	547,024
43,395	31,199	1,501	193,931
2,927	3,255	29	99,614
84,647	35,163	-	119,810
150	-	6,150	6,600
10,746	-	2,994	13,990
9,987	25,463	880	118,130
16,835	55,340	-	72,175
475,470	363,166	77,307	2,854,142
-	238,178	-	253,334
475,470	601,344	77,307	3,107,476
\$ 1,713,075	\$ 813,971	\$ 244,022	\$ 19,064,011

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Combined Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services				
	Auxiliary Services to Nonpublic Schools	Counseling and Prevention/ Intervention	Charter and Other School Services	Early Childhood Services	After School Programs
Salaries	\$ 5,054,497	\$ 1,530,632	\$ 2,693,398	\$ 1,286,533	\$ 260,624
Payroll taxes and fringe benefits	1,363,897	396,086	534,180	321,987	47,535
Total employee compensation	6,418,394	1,926,718	3,227,578	1,608,520	308,159
Consultants and professional fees	82,099	5,262	824,802	12,354	733
Occupancy	108,743	-	-	26,812	4,000
Supplies and other program related expenses	341,754	19,619	25,901	44,129	28,613
Equipment, rental, maintenance and repair	44,060	34,414	2,155	10,764	4,371
Automobile and travel	33,689	33,259	13,412	4,808	4,024
Insurance	-	-	-	-	-
Donations	-	-	-	-	-
Advertising	-	-	-	625	-
Telephone	47,181	11,463	5,806	10,397	1,293
Interest	-	-	-	-	-
Bad debt expense	-	-	33,222	-	-
	657,526	104,017	905,298	109,889	43,034
Depreciation	8,326	2,003	-	6,830	-
	665,852	106,020	905,298	116,719	43,034
Total expenses	\$ 7,084,246	\$ 2,032,738	\$ 4,132,876	\$ 1,725,239	\$ 351,193

Supporting Services			
Management and General	Building Maintenance and Occupancy	Promotional and Fundraising	Total
\$ 926,523	\$ 145,595	\$ 32,047	\$ 11,929,849
242,586	45,137	5,307	2,956,715
1,169,109	190,732	37,354	14,886,564
232,181	921	102,970	1,261,322
-	186,610	-	326,165
56,457	284	38,757	555,514
38,920	31,022	-	165,706
3,345	2,804	144	95,485
79,502	33,910	-	113,412
2,500	-	6,000	8,500
7,259	-	1,381	9,265
6,319	24,763	165	107,387
41,445	62,042	-	103,487
10,000	-	-	43,222
477,928	342,356	149,417	2,789,465
-	237,251	-	254,410
477,928	579,607	149,417	3,043,875
\$ 1,647,037	\$ 770,339	\$ 186,771	\$ 17,930,439

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Combined Statements of Cash Flows Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 70,179	\$ 258,283
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	253,334	254,410
Increase (decrease) in allowance for doubtful accounts	(3,741)	43,340
(Increase) decrease in assets:		
Grants and contracts receivable	(235,740)	(552,689)
Prepaid expenses	(4,408)	13,904
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(2,851)	(991)
Accrued wages and compensated absences	283,070	512,965
Deferred revenue	(13,930)	3,220
Net cash provided by operating activities	345,913	532,442
Cash flows from investing activity:		
Purchase of property and equipment	(50,651)	(13,425)
Cash flows from financing activities:		
Repayments on the line of credit, net	-	(155,297)
Repayments of long-term debt	(168,627)	(161,623)
Net cash used in financing activities	(168,627)	(316,920)
Net increase in cash and cash equivalents	126,635	202,097
Cash and cash equivalents, beginning of year	435,274	233,177
Cash and cash equivalents, end of year	\$ 561,909	\$ 435,274
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 72,915	\$ 94,046

See accompanying notes to combined financial statements.

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Notes to Combined Financial Statements June 30, 2017 and 2016

(1) Organization

CORA Services, Inc. (CORA) is a not-for-profit human services agency which provides counseling and educational programs to children and their families in the Greater Philadelphia community primarily through contracts with various governmental agencies, school districts, and other not-for-profit organizations. CORA serves over 16,000 children each year in over 180 non-public, public, and charter school systems, as well as in multiple community locations.

CORA is affiliated with The CORA Services Foundation (the Foundation) through common management and Board of Directors' membership. The Foundation supports the stated purposes of CORA Services, Inc. The Foundation's Board of Directors has the authority to make contributions to other not-for-profit organizations that provide services similar to CORA in the community.

(2) Summary of Significant Accounting Policies

Principles of Combination

The combined financial statements include the accounts of CORA and the Foundation, which are affiliated organizations (collectively, the Organization). All significant intercompany transactions have been eliminated.

Basis of Accounting

The Organization prepares its combined financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for Not-for-Profit Organizations. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Financial Statement Presentation

The Organization is required to report information regarding its combined statements of financial position and activities according to three classes of net assets as follows:

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by action of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Continued...

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Notes to Combined Financial Statements June 30, 2017 and 2016

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with initial maturities of three months or less to be cash equivalents.

Grants and Contracts Receivable and Allowance for Doubtful Accounts

Grants and contracts receivable are periodically reviewed by management for collectibility. Bad debts are provided for on the allowance method based on historical experience and management's evaluation of outstanding receivables. Accounts are written off when they are deemed uncollectible.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at approximate fair value at the date of the gift. Improvements to property and plant in excess of \$10,000, that materially improve the assets' useful lives, and purchases of equipment in excess of \$5,000 are capitalized and recognized in the combined statements of financial position. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. When assets are disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss from such disposition is included in income.

Revenue Recognition

Contributions are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Conditional promises to give are not included as revenue until the conditions on which they depend are substantially met.

Revenue from exchange contracts with governmental and nongovernmental funding agencies is recognized when services have been provided or as costs are incurred based upon either units of service rendered or costs incurred, as appropriate to a specific contract.

Deferred revenue includes amounts received for summer programs to be conducted in the following fiscal year. Expenses related to these programs have been recorded as prepaid expenses at year end.

Continued...

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Notes to Combined Financial Statements June 30, 2017 and 2016

(2) Summary of Significant Accounting Policies, Continued

Contributed Services

Individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs. An amount has not been recognized in the accompanying combined statements of activities for these volunteer efforts because they do not meet the recognition criteria under Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958-605-15, *Revenue Recognition*.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying combined statements of activities and changes in net assets. Accordingly, certain expenses have been allocated among the programs and supporting services as determined by management.

Concentration of Credit Risk

The Organization maintains cash balances at various financial institutions; these balances, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and management does not believe it is exposed to any significant credit risk.

Income Taxes

CORA is a not-for-profit social services agency and the Foundation is a not-for-profit foundation. The Internal Revenue Service (IRS) has classified each organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability, if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the combined financial statements.

CORA and the Foundation file Federal Form 990. With few exceptions, CORA and the Foundation are no longer subject to examination by the IRS or state and local taxing authorities for years before 2014.

Continued...

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Notes to Combined Financial Statements June 30, 2017 and 2016

(2) Summary of Significant Accounting Policies, Continued

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the years ended June 30, 2017 and 2016 were \$13,990 and \$9,265, respectively.

Use of Estimates

The preparation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

Presentation of Financial Statements of Not-for-Profit Entities – Issued in August 2016, Accounting Standards Update (ASU) 2016-14 is intended to improve the presentation of financial statements of not-for-profit (NFP) entities and provide more useful information to donors, grantors, and other users. The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of NFP financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). The ASU will also require additional information to be disclosed about investment return, expense classifications, liquidity and availability of resources, and presentation of operating cash flows. The standard will take effect for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application will be permitted. The Organization is assessing the potential impact this guidance will have on its financial statements.

Subsequent Events

The Organization has performed an evaluation of subsequent events through September 29, 2017, which is the date the combined financial statements were available to be issued.

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Notes to Combined Financial Statements June 30, 2017 and 2016

(3) Property and Equipment

Property and equipment consist of the following at June 30:

	2017	2016
Land	\$ 260,000	\$ 260,000
Building	8,590,214	8,590,214
Equipment	409,158	376,373
Building improvements	211,052	193,186
	<u>9,470,424</u>	<u>9,419,773</u>
Accumulated depreciation	<u>(2,997,100)</u>	<u>(2,743,766)</u>
	<u>\$ 6,473,324</u>	<u>\$ 6,676,007</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$253,334 and \$254,410, respectively.

(4) Line of Credit

CORA has a demand line of credit with a maximum available balance of \$3,000,000. The line of credit bears interest at the bank's prevailing prime rate (4.25% at June 30, 2017). The line of credit matures on December 31, 2017 and is collateralized by substantially all of the assets of CORA. The credit agreement requires that CORA maintain certain financial covenants to be tested annually. As of June 30, 2017, CORA is in compliance with the financial covenants. No amounts are outstanding on the line of credit as of June 30, 2017 and 2016.

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Notes to Combined Financial Statements June 30, 2017 and 2016

(5) Long-Term Debt

Long-term debt comprises the following at June 30:

	2017	2016
Mortgage note payable, due in monthly payments of \$9,091, including interest at 4.41%; collateralized by a first mortgage on real estate and personal property; mortgage matures in October 2025. The interest rate will be adjusted January 2022 in accordance with the terms of the note. The note is subject to a declining prepayment fee ranging from 5% to 1% through the interest rate adjustment date.	\$ 732,431	\$ 805,492
Mortgage note payable, due in monthly payments of \$4,634; interest is calculated at a variable floating interest rate (2.762% at June 30, 2017), collateralized by a second mortgage on real estate and personal property; mortgage matures in October 2025.	409,766	453,997
Mortgage note payable, due in monthly payments of \$5,004, including interest at 3.5%; collateralized by a third mortgage on real estate; mortgage matures in June 2021. The note is subject to a prepayment fee of 0.5% of the amount prepaid.	218,621	269,956
	1,360,818	1,529,445
Current portion	(176,462)	(168,370)
Long-term portion	\$ 1,184,356	\$ 1,361,075

Continued...

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Notes to Combined Financial Statements June 30, 2017 and 2016

(5) Long-Term Debt, Continued

Future annual principal payments on long-term-debt as of June 30, 2017 are as follows:

Year Ending June 30	Amount
2018	\$ 176,462
2019	183,138
2020	190,073
2021	191,279
2022	143,536
Thereafter	476,330
	<u>\$ 1,360,818</u>

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 and 2016 are available for the following purposes:

	July 1, 2016	Contributions	Released from Restrictions	June 30, 2017
Program activities	\$ 6,849	\$ -	\$ 825	\$ 6,024
Emergency assistance	8,489	-	-	8,489
Construction of LaSalle day care	4,092	-	1,400	2,692
Early years and intensive prevention	29,561	45,000	55,373	19,188
Potential affiliation review	-	20,554	20,554	-
Strategic planning	4,097	-	4,097	-
	<u>\$ 53,088</u>	<u>\$ 65,554</u>	<u>\$ 82,249</u>	<u>\$ 36,393</u>

	July 1, 2015	Contributions	Released from Restrictions	June 30, 2016
Program activities	\$ -	\$ 16,045	\$ 9,196	\$ 6,849
Emergency assistance	11,574	-	3,085	8,489
Construction of LaSalle day care	10,092	-	6,000	4,092
Resource center operation	27,509	-	27,509	-
Day care tuition assistance	4,138	-	4,138	-
Early years and intensive prevention	40,000	40,000	50,439	29,561
Child abuse prevention	3,125	-	3,125	-
Strategic planning	4,097	-	-	4,097
	<u>\$ 100,535</u>	<u>\$ 56,045</u>	<u>\$ 103,492</u>	<u>\$ 53,088</u>

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

Notes to Combined Financial Statements June 30, 2017 and 2016

(7) Contingencies

The Organization receives funding from various pass-through entities. Until the financial information required by these entities is accepted, costs incurred for program services are subject to review and possible disallowance. In management's opinion, such disallowed costs, if any, would not be material to the Organization's combined financial statements.

(8) Concentrations

Revenues are derived primarily from contracts with state and local government agencies, as well as other not-for-profit conduits of governmental funding throughout the Philadelphia area. For the year ended June 30, 2017, unrestricted revenue from two contracts amounted to 56% of total revenue. As of June 30, 2017, amounts due from three agencies comprise 73% of the grants and contracts receivable.

(9) Retirement Plan

CORA's full-time employees are covered by a defined-contribution group annuity plan administered by NFP Retirement. Employer contributions are based upon a stated percentage of employees' eligible earnings, which ranges from 4% to 7.2% depending on the number of years of service of the employee. Employees may also make discretionary contributions. CORA's contributions to the plan were approximately \$551,000 and \$451,000 for the years ended June 30, 2017 and 2016, respectively.

(10) Subsequent Event

In July 2017, CORA entered into an agreement with an alternative school in the Philadelphia area, whereby CORA will provide certain managerial services, as defined in the agreement. The agreement expires on June 30, 2018. Consideration to CORA in return for providing these services is contingent upon the school achieving certain revenue targets, as defined in the agreement. CORA, at its discretion, may advance funds to the school under a revolving note agreement up to \$150,000, which will bear interest at 5%, secured by substantially all assets of the school. CORA has advanced \$60,000 to the school as of the date the combined financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors of
CORA Services, Inc. and The CORA Services Foundation
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of CORA Services, Inc. and The CORA Services Foundation, which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered CORA Services, Inc. and The CORA Services Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of CORA Services, Inc. and The CORA Services Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of CORA Services, Inc. and The CORA Services Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of CORA Services, Inc. and The CORA Services Foundation's combined 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 CORA Services, Inc. and The CORA Services Foundation's combined financial statements are free from material misstatement, we performed tests of their 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 combined 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 CORA Services, Inc. and The CORA Services Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CORA Services, Inc. and The CORA Services Foundation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Horsham, Pennsylvania
September 29, 2017

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

City of Philadelphia Department of Behavioral Health and Intellectual Disability Services
Office of Addiction Services
Contract Numbers: 17-20072 and 17-20714

Schedule of Functional Expenditures by Program and Revenue by Funding Sources Year Ended June 30, 2017

	Recovery Case Management	SAP Assessment	Adolescent Case Management
Expenditures by cost center:			
Total personnel services	\$ 136,932	\$ 88,619	\$ 210,788
Total operating expenses	13,287	9,212	32,872
Total expenditures by cost center	150,219	97,831	243,660
Funding sources:			
CBH revenues	62,018	-	-
City of Philadelphia, Office of Addiction Services	76,052	97,831	243,660
Office of Addiction Services/ Behavioral Health Special Initiative/ Philadelphia Mental Health Care Corporation	1,089	-	-
Contributions, fundraising and other	2,698	-	-
Total funding sources	141,857	97,831	243,660
Excess expenditures over funding sources	\$ 8,362	\$ -	\$ -

Gambling Prevention	SAP Expansion	Teen Pregnancy and Parenting	Substance Use/Early Intervention	BHSI/ Teen Intervention Program	Total
\$ 180,969	\$ 118,101	\$ 24,922	\$ 26,791	\$ 58,583	\$ 845,705
28,819	22,815	13,376	51,540	6,113	178,034
209,789	140,916	38,297	78,331	64,696	1,023,739
-	-	-	-	-	62,018
200,000	140,916	38,297	78,331	-	875,088
-	-	-	-	65,547	66,636
9,789	-	-	-	-	12,487
209,789	140,916	38,297	78,331	65,547	1,016,229
\$ -	\$ -	\$ -	\$ -	\$ (851)	\$ 7,510

Report of Revenue by Functional Program City of Philadelphia Department of Human Services Year Ended June 30, 2017		Agency Name: CORA Services, Inc. Address: 8540 Verree Road Philadelphia, PA 19111		
		DHS	DHS	All
	Total all	Contract No.	Contract No.	Other
Sources of Revenue	Functions	15-20213-02	15-20412-02	Functions
71 State Government	\$ -	\$ -	\$ -	\$ -
72	-	-	-	-
73	-	-	-	-
74 Philadelphia DHS	1,471,493	808,069	663,424	-
75 Philadelphia DHS Community Block Grants	-	-	-	-
76 Philadelphia North City Congress	-	-	-	-
77 Philadelphia Activities Fund	-	-	-	-
78 Philadelphia Department of Recreation	-	-	-	-
79 Community Behavioral Health	62,018	-	-	62,018
80 Board of Education	8,024,745	-	-	8,024,745
81 Office of Addiction Services	875,088	-	-	875,088
82 MH/MR	-	-	-	-
83 Youth Activities	-	-	-	-
84 Public Health Management Corp	576,343	-	-	576,343
85 Real Alternatives	-	-	-	-
86 Investment Income	91	-	-	91
87	-	-	-	-
88 Rental Income	96,930	-	-	96,930
89 Endowment Fund	-	-	-	-
90 Foundation Income	-	-	-	-
91 United Way	1,335	-	-	1,335
92 Program Income	-	-	-	-
93 Client Fees	7,565,295	-	-	7,565,295
94 Other	516,180	-	-	516,180
95 Grand Total	\$ 19,189,518	\$ 808,069	\$ 663,424	\$ 17,718,025

Accounting Method Used Accrual

Report of Functional Expenditures		City of Philadelphia Department of Human Services Agency: CORA Services, Inc.		
Year Ended June 30, 2017				
		DHS	DHS	
		Contract No.	Contract No.	All Other
Objects of Expense	Total all Functions	15-20213-02	15-20412-02	Functions
Salaries and Wages				
1 Direct Service and Program Support	\$ 11,514,509	\$ 499,846	\$ 398,418	\$ 10,616,245
2 Management and General	715,863	35,083	29,111	651,669
3 Building Maintenance	431,347	12,916	10,706	407,725
4 Promotional and Fundraising	136,479	-	-	136,479
5 Admin. Cost Center	-	-	-	-
6 F.I.C.A.	935,993	40,157	32,085	863,751
7 Unemployment	123,293	5,109	4,057	114,127
8 Workers' Compensation	55,871	2,475	1,956	51,440
9 Employee Benefits	2,043,181	88,028	68,557	1,886,596
10 Other - Life Insurance	-	-	-	-
11 Total Social Services	15,956,536	683,614	544,890	14,728,032
30 Total Salaries and Wages	15,956,536	683,614	544,890	14,728,032
Operating Expense and Administrative				
31 Professional Fees and Contract Payments	1,432,936	10,381	18,400	1,404,155
32 Supplies	502,073	12,335	10,735	479,003
33 Telephone	118,129	3,880	5,000	109,249
34 Postage and Shipping	10,566	391	307	9,868
35 Local Transportation	67,661	9,097	8,706	49,858
36 Outside Printing	9,166	-	-	9,166
37 Conferences, Conventions, Meetings	29,971	465	15	29,491
38 Subscriptions, Publications	-	-	-	-
39 Membership Dues	-	-	-	-
40 Awards and Grants	6,600	-	-	6,600
41 Equipment, Furniture and Motor Vehicles Rental	70,853	3,203	3,095	64,555
42 Equipment, Furniture and Motor Vehicles Depreciation	22,529	-	-	22,529
43 Equipment, Furniture - Maintenance and Repair	129,382	7,856	9,266	112,260
44 Other - Advertising	13,989	518	431	13,040
45 Other - Bad Debt Expense	-	-	-	-
46 Total Social Services	2,413,855	48,126	55,955	2,309,774
49 Total Operating Expense and Administrative	2,413,855	48,126	55,955	2,309,774
Occupancy				
50 Indirect shared Facility Expense - Including Rent	32,000	66,397	56,932	(91,329)
51 Building and Building Equipment Insurance	145,457	9,932	5,647	129,878
52 Building and Grounds Maintenance and Repairs	166,310	-	-	166,310
53 Utilities	102,202	-	-	102,202
54 Amortization	-	-	-	-
55 Interest	72,175	-	-	72,175
56 Depreciation	230,804	-	-	230,804
57 Other	-	-	-	-
58 Total Social Services	748,948	76,329	62,579	610,040
62 Total Occupancy	748,948	76,329	62,579	610,040
Grand Total Expenses	19,119,339	808,069	663,424	17,647,846
76 Child Care and Social Services	19,119,339	808,069	663,424	17,647,846
81 Grand Total Expenses	19,119,339	808,069	663,424	17,647,846

CORA SERVICES, INC. AND THE CORA SERVICES FOUNDATION

City of Philadelphia Department of Human Services Report of Excess Revenue

Agency name: CORA Services, Inc.
Address: 8540 Verree Road
Philadelphia, PA 19111

Year Ended June 30, 2017

		DHS	DHS
	Total DHS	Contract No.	Contract No.
	Services	15-20213	15-20412
Total DHS Revenue:	\$ 1,471,493	\$ 808,069	\$ 663,424
Deduct: Expenditures for Phila DHS Services:			
Salaries and Wages	1,228,504	683,614	544,890
Operating and Administration	104,081	48,126	55,955
Occupancy	138,908	76,329	62,579
Children's Direct Expense	-	-	-
Total DHS Expenditures:	\$ 1,471,493	\$ 808,069	\$ 663,424
Excess Revenue/(Expense)	-	-	-

Independent Accountants' Report on Compliance with Specified Indirect Cost Allocation Requirements

The Board of Directors of
CORA Services, Inc. and The CORA Services Foundation
Philadelphia, Pennsylvania

We have examined the indirect costs reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures of CORA Services, Inc. and The CORA Services Foundation for the year ended June 30, 2017. CORA Services, Inc. and The CORA Services Foundation's management is responsible for compliance with allocating indirect costs reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures as required by the Commonwealth of Pennsylvania, Department of Human Services, Section 3170.60 of the Chapter 3170 Regulations; and the "Indirect Cost Allocations" Section of the *City of Philadelphia Subrecipient Audit Guide - Instructions For Completing The Report of Functional Expenditures* (Section 2000, Exhibit B). Our responsibility is to express an opinion on the indirect costs reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the indirect costs reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about compliance with the aforementioned requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material misstatement of the indirect costs reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the indirect costs reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures of CORA Services, Inc. and The CORA Services Foundation is presented in accordance with the compliance requirements reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures as required by the Commonwealth of Pennsylvania, Department of Human Services, Section 3170.60 of the Chapter 3170 Regulations; and the "Indirect Cost Allocations" Section of the *City of Philadelphia Subrecipient Audit Guide - Instructions For Completing The Report of Functional Expenditures* (Section 2000, Exhibit B), in all material respects.

This report is intended solely for the information and use of the Board of Directors, management and City of Philadelphia, Department of Human Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Kreischer Miller

Horsham, Pennsylvania
September 29, 2017