

Avenues and Affiliates

Consolidated Financial Statements and
Supplementary Information

June 30, 2016 and 2015



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Avenues and Affiliates

Table of Contents
June 30, 2016 and 2015

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6
Supplementary Information	
Consolidating Schedule of Financial Position - 2016	12
Consolidating Schedule of Activities - 2016	13
Consolidating Schedule of Financial Position - 2015	14
Consolidating Schedule of Activities - 2015	15
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
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 <i>Government Auditing Standards</i>	18
Independent Auditors' Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	20
Schedule of Findings and Questioned Costs	22
Independent Accountants' Report on Compliance with Requirements Applicable to Schuylkill County Mental Health/Developmental Services Program	23

Avenues and Affiliates

Table of Contents
June 30, 2016 and 2015

Service Access and Management DS Services	24
Service Access and Management MH Services	25
Service Access and Management EI Services	26
Schedule of Retained Earnings	27
Transportation Waiver LOB Schedule A Expense Report	28
Transportation Waiver LOB Reconciliation to Audit Expenses	29
Independent Accountants' Report on Applying Agreed Upon Procedures on the Reconciliation - Schedule of Expenditures of Federal Awards (SEFA) to the Federal Award Income Received from the Pennsylvania Department of Human Services per the Pennsylvania Audit Confirmation Reply	30
Reconciliation of Federal Awards Passed Through Pennsylvania Department of Human Services Expenditures per the SEFA to Revenue Received per the Pennsylvania Audit Confirmation Reply.	32
Independent Accountants' Report on Indirect Cost Allocation Plan	33

Independent Auditors' Report

Board of Directors
Avenues and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Avenues and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avenues and Affiliates as of June 30, 2016 and 2015 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 12 to 17 and 24 to 29 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 March 29, 2017, on our consideration of Avenues and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Avenues and Affiliates' internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
March 29, 2017

Avenues and Affiliates

Consolidated Statement of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash	\$ 831,907	\$ 801,778
Accounts receivable	318,692	248,952
Grants receivable	665,276	705,761
Prepaid expenses	113,057	94,317
Inventory	<u>24,003</u>	<u>15,422</u>
Total current assets	1,952,935	1,866,230
Cash Restricted for Client Fund	10,146	7,555
Investments - Foundation	216,831	207,688
Property and Equipment, Net	<u>1,227,023</u>	<u>1,039,581</u>
Total assets	<u>\$ 3,406,935</u>	<u>\$ 3,121,054</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 359,138	\$ 214,349
Accrued payroll and payroll taxes	176,344	222,181
Other accrued liabilities	-	10,193
Deposits	6,500	2,500
Deferred revenue	3,588	3,002
Client fund	<u>10,146</u>	<u>7,555</u>
Total liabilities	<u>555,716</u>	<u>459,780</u>
Net Assets		
Unrestricted	<u>2,851,219</u>	<u>2,661,274</u>
Total net assets	<u>2,851,219</u>	<u>2,661,274</u>
Total liabilities and net assets	<u>\$ 3,406,935</u>	<u>\$ 3,121,054</u>

See notes to consolidated financial statements

Avenues and Affiliates

Consolidated Statement of Activities
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Revenues		
Federal, state and county funding	\$ 5,424,315	\$ 5,072,105
Other program funding	1,151,094	988,902
Contracted funding	197,164	157,982
Child day care	257,392	259,335
Capital grant	127,999	-
Miscellaneous grants	11,656	1,780
Contributions	125,124	157,079
Rental income	9,642	3,888
United Way	99,443	93,073
Fundraising events	64,243	57,739
Investment income	11,888	1,228
Annual Appeal	5,325	8,120
	<u>7,485,285</u>	<u>6,801,231</u>
Expenses		
Salaries, benefits and employee expense	4,943,566	4,549,766
Staff development	15,820	14,269
Communications and Information technology	151,614	121,032
Repairs and maintenance	194,324	125,454
Utilities	146,516	199,049
Depreciation	164,113	137,439
Vehicle expenses	266,472	288,206
Supplies	342,799	238,294
Travel	40,963	38,048
Registration fees and subscriptions	14,081	34,372
Advertising	56,252	52,082
Insurance	95,889	96,403
Rent	156,514	178,505
Miscellaneous	25,967	37,584
Professional fees and outside services	60,928	53,789
Program expenses	181,177	166,219
Northumberland expenses	427,459	362,258
Fundraising events	10,886	13,081
	<u>7,295,340</u>	<u>6,705,850</u>
Total expenses	<u>7,295,340</u>	<u>6,705,850</u>
Increase in net assets	<u>189,945</u>	<u>95,381</u>
Net Assets, July 1, 2015	<u>2,661,274</u>	<u>2,565,893</u>
Net Assets, June 30, 2016	<u>\$ 2,851,219</u>	<u>\$ 2,661,274</u>

See notes to consolidated financial statements

Avenues and Affiliates

Consolidated Statement of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 189,945	\$ 95,381
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	164,113	137,262
Changes in assets and liabilities:		
Cash restricted for client fund	(2,591)	(169)
Receivable	(69,740)	(83,942)
Grants receivable	40,485	(211,705)
Prepaid expenses	(18,740)	(8,965)
Inventory	(8,581)	2,995
Accounts payable	144,789	80,340
Accrued payroll and payroll taxes	(45,837)	40,463
Other accrued liabilities	(10,193)	10,193
Client fund	2,591	169
Deposits	4,000	-
Deferred revenue	586	(7,176)
	<u>390,827</u>	<u>54,846</u>
Net cash provided by operating activities		
	<u>390,827</u>	<u>54,846</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	2,070	68,664
Purchases of investments	(11,213)	(270,665)
Purchases of property and equipment	(351,555)	(152,241)
	<u>(360,698)</u>	<u>(354,242)</u>
Net cash used in investing activities		
	<u>(360,698)</u>	<u>(354,242)</u>
	<u>30,129</u>	<u>(299,396)</u>
Net increase (decrease) in cash		
	<u>30,129</u>	<u>(299,396)</u>
Cash, Beginning	<u>801,778</u>	<u>1,101,174</u>
Cash, Ending	<u>\$ 831,907</u>	<u>\$ 801,778</u>

See notes to consolidated financial statements

Avenues and Affiliates

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Avenues and Affiliates (“Avenues”) is a nonprofit corporation, incorporated in the Commonwealth of Pennsylvania. It is a human service organization committed to providing quality services that enhance the lives of individuals with developmental and/or acquired disabilities. Avenues oversees many programs for the handicapped, disabled, and non-handicapped individuals including day care programs for children and adults, work activities and sheltered employment, vocational evaluation, personal and work adjustment training, and recreation for teenagers and adults. Avenues operates in several locations throughout Schuylkill County, Lebanon County, Northumberland County and Luzerne County, Pennsylvania.

Basis of Consolidation

The consolidated financial statements reflect the financial position and changes in net assets and cash flows of Avenues and its wholly owned subsidiary, Habilitation, Inc. Habilitation, Inc. is an inactive corporation. Also included is Avenues Foundation, a nonprofit organization organized to raise funds to help support the charitable purposes of Avenues.

Investments - Foundation

Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidated statement of financial position.

Investments and Investment Risk

The fair value of substantially all securities is determined by quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in investment income unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

Avenues’ Foundation investments are comprised of a variety of financial instruments and are managed by an investment advisor. The fair values reported in the consolidated statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the consolidated statement of financial position could change materially in the near term.

Receivables

Accounts and grants receivable are reported at net realizable value. Accounts are written off as bad debt expense when, in the opinion of management, they are uncollectible. Potential bad debts are considered immaterial; therefore, no allowance has been established.

Avenues and Affiliates

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Inventory

Inventories consist of program materials available for sale and are valued at the lower of cost or market.

Cash Restricted for Client Fund

Client fund is accounted for as a trust fund and is maintained separate and distinct from other funds.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Avenues capitalizes all expenditures for property and equipment in excess of \$5,000. Major repairs in excess of \$10,000. Depreciation is computed on a straight-line basis over the useful lives of the assets, ranging from five to 40 years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Avenues reports the support as unrestricted. Unless specifically restricted by the donor, all contributions to the Foundation are considered to be available for unrestricted use. Avenues has no temporarily or permanently restricted net assets.

Income Taxes

Avenues and affiliates are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their exempt income under Section 501(a) of the Internal Revenue Code.

Avenues accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold in 2016 and 2015.

Indirect Costs

Avenues has an indirect cost allocation plan that allocates administrative cost based on the total direct costs of each program.

Avenues and Affiliates

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Advertising Costs

Avenues follows the policy of charging costs of advertising to expense as incurred. Advertising costs were \$54,183 and \$52,082 for the years ended June 30, 2016 and 2015, respectively.

Use of Estimates

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

New Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance was issued that outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU 2014-09 is effective for fiscal years beginning after December 15, 2017. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018. Early application is permitted for all entities for fiscal years beginning after December 15, 2016. The Organization is assessing the impact this new standard will have on its financial statements.

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

Subsequent Events

Avenues evaluated subsequent events for recognition or disclosure through March 29, 2017, the date the consolidated financial statements were available to be issued.

Avenues and Affiliates

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

2. Investments - Foundation and Fair Value Disclosures

Avenues follows authoritative accounting guidance on fair value measurements, which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and provides guidance on disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Avenues for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in inactive markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques. The fair value of investments were measured using the following inputs:

	2016 Quoted Prices in Active Markets for Identical Assets (Level 1)	2015 Quoted Prices in Active Markets for Identical Assets (Level 1)
Cash and cash equivalents	\$ 19,755	\$ 9,359
Mutual funds, equity	117,052	42,871
Mutual funds, fixed income	80,024	124,263
Exchange traded funds	-	31,195
Total	<u>\$ 216,831</u>	<u>\$ 207,688</u>

Avenues does not have any Level 2 or 3 investments.

Avenues and Affiliates

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

3. Property and Equipment, Net

Property and equipment and accumulated depreciation as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 11,570	\$ 11,570
Buildings	1,824,114	1,824,114
Building improvements	703,468	615,914
Leasehold improvements	-	56,247
Vehicles	1,450,950	1,139,601
Furniture and equipment	184,814	178,549
	<u>4,174,916</u>	<u>3,825,995</u>
Total	4,174,916	3,825,995
Less accumulated depreciation	<u>(2,947,893)</u>	<u>(2,786,414)</u>
Property and equipment, net	<u>\$ 1,227,023</u>	<u>\$ 1,039,581</u>

Depreciation was \$164,113 in 2016 and \$137,262 in 2015.

4. Demand Notes Payable

Avenues has an unsecured line of credit available with First National Bank of Pennsylvania in the amount of \$1,500,000. The interest rate is the Prime Rate plus 0%, which is 3.25% at June 30, 2016. The line of credit expires May 2017. There is no outstanding balance on the line of credit as of June 30, 2016 and 2015.

5. Contingencies and Credit risk

Avenues participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representative. Avenues is potentially liable for any expenditure which may be disallowed pursuant to the terms of the grant programs.

Avenues maintains cash accounts, which, at times, may exceed federally insured limits. Avenues has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

6. Operating Leases

Avenues leases its facilities for the Lebanon County Eldercare, Northumberland County Adult Training Facility, Milton Adult Training Facility, Shenandoah Program, Greater Hazleton Area, and Valley View Program under operating leases. The leases expire at various times. The total rent paid during the years ended June 30, 2016 and 2015 was \$189,751 and \$200,556, respectively. Of these amounts, \$92,562 and \$83,889 is rent allocated to various programs that use the same buildings for June 30, 2016 and 2015, respectively.

Avenues and Affiliates

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Minimum future lease payments required under the various operating lease agreements in effect at June 30, 2016 were as follows:

Years ending June 30:	
2017	\$ 145,972
2018	66,982
2019	<u>4,315</u>
Total	<u>\$ 217,269</u>

7. Tax Deferred Annuity Plan

Avenues maintains a tax-deferred annuity plan qualified under Section 401k of the Internal Revenue Code. The plan is available to all employees of Avenues. Avenues does not contribute any amounts to the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employees may choose among several existing insurance companies under the plan to establish their tax-deferred annuity.

8. Functional Expenses

Avenues provides social services to families and individuals within its geographic location. Expenses related to providing these services at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Program	\$ 6,663,290	\$ 6,089,098
Fundraising events	10,886	13,081
Administration	<u>621,164</u>	<u>603,671</u>
Total	<u>\$ 7,295,340</u>	<u>\$ 6,705,850</u>

9. Related Party

The Foundation pays \$1,375 per month to Avenues for the use of office equipment and support staff. At year-end, there is a receivable due from the Foundation for administrative costs and other costs during the year. All intercompany balances eliminate in consolidation.

Avenues and Affiliates

Consolidating Schedule of Financial Position
June 30, 2016

	<u>Avenues</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Assets				
Current Assets				
Cash	\$ 746,513	\$ 85,394	\$ -	\$ 831,907
Accounts receivable	318,617	75	-	318,692
Accounts receivable - related party	33,240	-	(33,240)	-
Grants receivable	665,276	-	-	665,276
Prepaid expenses	112,795	262	-	113,057
Inventory	24,003	-	-	24,003
Total current assets	1,900,444	85,731	(33,240)	1,952,935
Cash Restricted for Client Fund	10,146	-	-	10,146
Investments - Foundation	-	216,831	-	216,831
Property and Equipment, Net	1,227,023	-	-	1,227,023
Total assets	<u>\$ 3,137,613</u>	<u>\$ 302,562</u>	<u>\$ (33,240)</u>	<u>\$ 3,406,935</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable - trade	\$ 359,138	\$ -	\$ -	\$ 359,138
Accounts payable - related party	-	33,240	(33,240)	-
Other accrued liabilities	2,591	-	-	2,591
Deposits	6,500	-	-	6,500
Deferred revenue	174	3,414	-	3,588
Client fund	7,555	-	-	7,555
Accrued payroll and payroll taxes	176,344	-	-	176,344
Total current liabilities	552,302	36,654	(33,240)	555,716
Net Assets				
Unrestricted	2,585,311	265,908	-	2,851,219
Total net assets	2,585,311	265,908	-	2,851,219
Total liabilities and net assets	<u>\$ 3,137,613</u>	<u>\$ 302,562</u>	<u>\$ -</u>	<u>\$ 3,406,935</u>

Avenues and Affiliates

Consolidating Schedule of Activities
Year Ended June 30, 2016

	<u>Avenues</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Unrestricted Revenue				
Federal, state and county grants	\$ 5,424,315	\$ -	\$ -	\$ 5,424,315
Other program revenue	1,151,094	-	-	1,151,094
Contract revenue	197,164	-	-	197,164
Child day care	257,392	-	-	257,392
Capital grant	127,999	-	-	127,999
Miscellaneous	10,889	767	-	11,656
Donations	104,322	20,802	-	125,124
Rent	9,642	-	-	9,642
United Way	99,443	-	-	99,443
Fundraising events	10,526	53,717	-	64,243
Investment income	655	11,233	-	11,888
Annual appeal	-	5,325	-	5,325
	<u>7,393,441</u>	<u>91,844</u>	<u>-</u>	<u>7,485,285</u>
Total support, revenue, and gains				
Expenses				
Salaries and benefits	4,943,566	-	-	4,943,566
Staff development	15,820	-	-	15,820
Communications	151,614	-	-	151,614
Repairs and maintenance	194,324	-	-	194,324
Utilities	146,516	-	-	146,516
Depreciation	164,113	-	-	164,113
Auto	266,472	-	-	266,472
Supplies	324,865	17,934	-	342,799
Travel	40,963	-	-	40,963
Dues and subscriptions	14,081	-	-	14,081
Advertising	56,252	-	-	56,252
Insurance	95,889	-	-	95,889
Rent	156,514	-	-	156,514
Miscellaneous	25,967	-	-	25,967
Professional fees and outside services	55,858	5,070	-	60,928
Program expenses	123,185	57,992	-	181,177
Northumberland contract expenses	427,459	-	-	427,459
Fundraising expenses	5,519	5,367	-	10,886
	<u>7,208,977</u>	<u>86,363</u>	<u>-</u>	<u>7,295,340</u>
Total expenses				
Increase in net assets	<u>184,464</u>	<u>5,481</u>	<u>-</u>	<u>189,945</u>
Net Assets, July 1, 2015	<u>2,400,847</u>	<u>260,427</u>	<u>-</u>	<u>2,661,274</u>
Net Assets, June 30, 2016	<u>\$ 2,585,311</u>	<u>\$ 265,908</u>	<u>\$ -</u>	<u>\$ 2,851,219</u>

Avenues and Affiliates

Consolidating Schedule of Financial Position
June 30, 2015

	<u>Avenues</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Assets				
Current Assets				
Cash	\$ 725,270	\$ 76,508	\$ -	\$ 801,778
Accounts receivable	247,979	973	-	248,952
Accounts receivable - related party	22,405	-	(22,405)	-
Grants receivable	705,761	-	-	705,761
Prepaid expenses	93,764	553	-	94,317
Inventory	15,422	-	-	15,422
Total current assets	1,810,601	78,034	(22,405)	1,866,230
Cash Restricted for Client Fund	7,555	-	-	7,555
Investments - Foundation	-	207,688	-	207,688
Property and Equipment, Net	1,039,581	-	-	1,039,581
Total assets	<u>\$ 2,857,737</u>	<u>\$ 285,722</u>	<u>\$ (22,405)</u>	<u>\$ 3,121,054</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable - trade	\$ 214,349	\$ -	\$ -	\$ 214,349
Accounts payable - related party	-	22,405	(22,405)	-
Other accrued liabilities	10,193	-	-	10,193
Deposits	2,500	-	-	2,500
Deferred revenue	112	-	-	112
Client fund	7,555	2,890	-	10,445
Accrued payroll and payroll taxes	222,181	-	-	222,181
Total current liabilities	456,890	25,295	(22,405)	459,780
Net Assets				
Unrestricted	2,400,847	260,427	-	2,661,274
Total net assets	2,400,847	260,427	-	2,661,274
Total liabilities and net assets	<u>\$ 2,857,737</u>	<u>\$ 285,722</u>	<u>\$ (22,405)</u>	<u>\$ 3,121,054</u>

Avenues and Affiliates

Consolidating Schedule of Activities
Year Ended June 30, 2015

	<u>Avenues</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Unrestricted Revenue				
Federal, state and county funding	\$ 5,072,105	\$ -	\$ -	\$ 5,072,105
Other program funding	988,902	-	-	988,902
Contracted funding	157,982	-	-	157,982
Child day care	259,335	-	-	259,335
Contributions	144,618	12,461	-	157,079
United Way	93,073	-	-	93,073
Rent	3,888	-	-	3,888
Fundraising events	10,287	47,452	-	57,739
Investment income (loss)	1,110	118	-	1,228
Miscellaneous	780	1,000	-	1,780
Annual appeal	-	8,120	-	8,120
	<hr/>	<hr/>	<hr/>	<hr/>
Total support, revenue, and gains	6,732,080	69,151	-	6,801,231
Expenses				
Salaries, benefits and related expenses	4,549,766	-	-	4,549,766
Staff development	14,269	-	-	14,269
Communications and technology	121,032	-	-	121,032
Repairs and maintenance	125,454	-	-	125,454
Utilities	199,049	-	-	199,049
Depreciation	137,439	-	-	137,439
Vehicle expenses	288,206	-	-	288,206
Supplies	238,294	-	-	238,294
Travel	38,048	-	-	38,048
Registration fees and subscriptions	34,372	-	-	34,372
Advertising	52,082	-	-	52,082
Insurance	96,403	-	-	96,403
Rent	178,505	-	-	178,505
Miscellaneous	36,074	1,510	-	37,584
Professional fees and outside services	50,488	3,301	-	53,789
Program expenses	143,264	22,955	-	166,219
Northumberland expenses	362,258	-	-	362,258
Fundraising events	6,159	6,922	-	13,081
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	6,671,162	34,688	-	6,705,850
	<hr/>	<hr/>	<hr/>	<hr/>
Increase in net assets	60,918	34,463	-	95,381
Net Assets, July 1, 2014				
As previously stated	2,384,815	-	-	2,384,815
Prior period restatement	(44,886)	225,964	-	181,078
	<hr/>	<hr/>	<hr/>	<hr/>
As restated	2,339,929	225,964	-	2,565,893
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets, June 30, 2015	<u>\$ 2,400,847</u>	<u>\$ 260,427</u>	<u>\$ -</u>	<u>\$ 2,661,274</u>

Avenues and Affiliates

Schedule of Expenditures of Federal Awards

June 30, 2016

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Period Beginning/Ending Date</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Passed through Commonwealth of Pennsylvania Department of Human Services: Medical Assistance Program, Medicaid cluster	93.778	07/01/15-6/30/16	\$ 2,114,556
Passed through Commonwealth of Pennsylvania Office of Developmental Programs: Medical Assistance Program, Medicaid cluster	93.778	07/01/15-6/30/16	<u>374,019</u>
Total Medicaid Cluster and Expenditures of Federal Awards			<u>\$ 2,488,575</u>

Avenues and Affiliates

Note to Schedule of Expenditures of Federal Awards
June 30, 2016 and 2015

1. Schedule of Expenditures of Federal Awards

Basis of Accounting and Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Avenues and Affiliates, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic consolidated financial statements.

2. Indirect Cost Rate

Avenues and Affiliates has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**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***

Board of Directors
Avenues and Affiliates

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 consolidated financial statements of Avenues and Affiliates (the "Avenues") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016, the related consolidated statements of activities and cash flows for the year ended June 30, 2016, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Avenues and Affiliates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Avenues' internal control. Accordingly, we do not express an opinion on the effectiveness of Avenues' 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 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 Avenue's financial statements are free of 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 on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
March 29, 2017

Independent Auditors' Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Avenues and Affiliates

Report on Compliance for the Major Federal Program

We have audited Avenues and Affiliates' (collectively "Avenues") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Avenues' major federal program for the year ended June 30, 2016. Avenues' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Avenues' compliance.

Opinion on Each Major Federal Program

In our opinion, Avenues complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
March 29, 2017

Avenues and Affiliates

Schedule of Findings and Questioned Costs
June 30, 2016 and 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal program:

<u>CFDA Number(s)</u>	<u>Name of Program or Cluster</u>
93.778	Medical Assistance

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

**Independent Accountants' Report on Compliance
With Requirements Applicable to Schuylkill County
Mental Health/Developmental Services Program**

Board of Directors
Avenues and Affiliates

We have examined Avenues and Affiliates ("Avenues") compliance with the following compliance requirements applicable to the Service Access and Management, Inc. (SAM) purchase of service agreements on behalf of Schuylkill County MH/DS Grants for the year ended June 30, 2016:

1. The collection by Avenues of third party revenue.
2. Staff positions employed by Avenues and reimbursed by the grants and,
3. Avenues' billing of units of service provided and the rates charged to the grants.
4. Verification of fixed asset inventory.

Management is responsible for Avenues' compliance with those requirements. Our responsibility is to express an opinion on Avenues' compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Avenues' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Avenues' compliance with specified requirements.

In our opinion, Avenues' complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2016.

This report is intended solely for the information and use of Avenues and Affiliates and Schuylkill County and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
March 29, 2017

Avenues and Affiliates

Service Access and Management DS Services
June 30, 2016

	Total Actual Cost	Comm Hab Level 2 W7074	Comm Hab Older Audit W7094	Pre- Vocational Base Level W7087	Pre- Vocational Level 2 W7089	Transportation Zone 1 W7274	Adult Socialization
Revenue							
Base funding	\$ 138,993	\$ 19,474	\$ 19,066	\$ 36,507	\$ 17,122	\$ 29,042	\$ 17,782
Total revenue	<u>\$ 138,993</u>	<u>\$ 19,474</u>	<u>\$ 19,066</u>	<u>\$ 36,507</u>	<u>\$ 17,122</u>	<u>\$ 29,042</u>	<u>\$ 17,782</u>
Expenses							
Directly charged salaries	\$ 95,453	\$ 11,649	\$ 11,857	\$ 21,686	\$ 12,580	\$ 14,174	\$ 23,507
Directly charged benefits	23,513	3,492	3,284	7,771	2,415	2,920	3,631
Staff development	933	102	147	96	35	36	517
Purchased personnel services	55	19	36	-	-	-	-
Supplies	2,879	262	383	1,123	830	132	149
Communications	2,374	142	265	812	428	283	444
Travel	266	24	29	83	88	42	-
Repairs and maintenance of fixed assets	2,280	221	151	1,070	510	328	-
Repairs and maintenance of equipment	1,583	78	146	798	482	79	-
Indirect costs	17,935	1,804	1,939	5,412	2,715	2,585	3,480
Production, retail, & janitorial expenses	17,454	-	-	17,454	-	-	-
Agency membership fees	11	2	3	4	2	-	-
Advertising	1,598	126	236	524	652	60	-
Other	4,655	775	1,435	157	12	-	2,276
Occupancy	6,648	197	262	3,925	1,555	241	468
Insurance	1,782	117	65	668	121	811	-
Rent & depreciation	9,910	1,108	2,069	1,024	3,533	2,176	-
Motor vehicles	12,931	690	-	-	-	6,266	5,975
Total expenses	202,260	20,808	22,307	62,607	25,958	30,133	40,447
Contributions	<u>53,865</u>	<u>130</u>	<u>242</u>	<u>25,199</u>	<u>227</u>	<u>5,402</u>	<u>22,665</u>
Expenses, net of contributions/revenue	<u>\$ 148,395</u>	<u>\$ 20,678</u>	<u>\$ 22,065</u>	<u>\$ 37,408</u>	<u>\$ 25,731</u>	<u>\$ 24,731</u>	<u>\$ 17,782</u>
Units of Service Provided		<u>4,893</u>	<u>8,399</u>	<u>20,059</u>	<u>5,945</u>	<u>1,497</u>	<u>NA</u>

Avenues and Affiliates

Service Access and Management MH Services

June 30, 2016

	<u>Total Actual Cost</u>	<u>Voc Rehab</u>	<u>Transportation</u>
Revenue			
Base funding	\$ 19,226	\$ 10,554	\$ 8,672
Total revenue	<u>\$ 19,226</u>	<u>\$ 10,554</u>	<u>\$ 8,672</u>
Expenses			
Directly charged salaries	\$ 10,502	\$ 6,269	\$ 4,233
Directly charged benefits	3,121	2,247	874
Staff development	39	28	11
Purchased personnel services	-	-	-
Supplies	365	324	41
Communications	320	234	86
Travel	37	24	13
Repairs and maintenance of fixed assets	408	309	99
Repairs and maintenance of equipment	256	230	26
Indirect costs	2,337	1,565	772
Production, retail, & janitorial services	5,045	5,045	-
Agency membership fees	1	1	-
Advertising	169	151	18
Other	46	46	-
Occupancy	1,209	1,134	75
Insurance	435	193	242
Rent and depreciation	946	296	650
Program equipment	-	-	-
Motor vehicles	1,873	-	1,873
Total expenses	27,109	18,096	9,013
Contributions	<u>8,900</u>	<u>7,286</u>	<u>1,614</u>
Expenses, net of contributions/revenue	<u>\$ 18,209</u>	<u>\$ 10,810</u>	<u>\$ 7,399</u>
Units of Service Provided	<u>-</u>	<u>5,799</u>	<u>447</u>

Avenues and Affiliates

Service Access and Management EI Services

June 30, 2016

Revenue

Base funding	\$ 68,995
Total revenue	<u>\$ 68,995</u>

Expenses

Directly charged salaries	\$ 40,416
Directly charged benefits	<u>6,318</u>
Total personnel	<u>46,734</u>
Staff development	8
Purchased personnel services	-
Supplies	290
Communications	2,052
Travel	5,126
Repairs and maintenance of fixed assets	44
Indirect costs	5,350
Agency membership fees	-
Other	366
Insurance	99
Rent and depreciation	1,884
Minor improvements	<u>-</u>
Total expenses	61,953

Contributions

	<u>723</u>
Expenses, net of contributions/revenue	<u>\$ 61,230</u>

Units of Service Provided

	<u>2,465</u>
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Avenues and Affiliates

Schedule of Retained Earnings

June 30, 2016

	<u>MH Total</u>	<u>MH Base</u>	<u>MR Total</u>	<u>MR Base</u>	<u>EL Total</u>	<u>EL Base</u>
Contract Revenue	\$ 19,266	\$ 19,266	\$ 138,993	\$ 138,993	\$ 68,995	\$ 68,995
Net Reimbursable Expenses	<u>18,209</u>	<u>18,209</u>	<u>148,395</u>	<u>148,395</u>	<u>61,230</u>	<u>61,230</u>
Difference	<u>1,057</u>	<u>1,057</u>	<u>(9,402)</u>	<u>(9,402)</u>	<u>7,765</u>	<u>7,765</u>
DPW allowable expenses	18,209	18,209	148,395	148,395	61,230	61,230
Maximum 3% retained revenue	0.03	0.03	0.03	0.03	0.03	0.03
Maximum retained revenue	<u>546</u>	<u>546</u>	<u>4,452</u>	<u>4,452</u>	<u>1,837</u>	<u>1,837</u>
Actual retained revenue	<u>\$ 546</u>	<u>\$ 546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,837</u>	<u>\$ 1,837</u>
Amount due SAM	<u>\$ 511</u>	<u>\$ 511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,928</u>	<u>\$ 5,928</u>

Avenues and Affiliates

Transportation Waiver LOB Schedule A Expense Report
June 30, 2016

<u>Cost Category</u>	<u>(E) Total Waiver Expenses</u>
Personnel - Drivers, dispatchers	\$ 203,747
Personnel - Aides	123,478
Vehicle lease/depreciation	33,721
Insurance	20,547
Vehicle repairs and maintenance	76,422
Fuel	73,300
Expenses for contracted services	-
Other	134,673
Administration	<u>147,059</u>
Total expenses	812,947
Contributions/revenue (offset) includes PennDOT Grants	<u>135,845</u>
Total net expenses	<u>\$ 677,102</u>

Avenues and Affiliates

Transportation Waiver LOB Reconciliation to Audit Expenses
June 30, 2016

<u>Cost Category</u>	<u>Audit</u>	<u>(E) Total Waiver Expenses</u>
Personnel - Drivers, dispatchers	\$ 203,747	\$ 203,747
Personnel - Aides	123,478	123,478
Vehicle lease/depreciation	33,721	33,721
Insurance	20,547	20,547
Vehicle repairs and maintenance	76,422	76,422
Fuel	73,300	73,300
Expenses for contracted services	-	-
Other	134,673	134,673
Administration	147,059	147,059
Total expenses	812,947	812,947
Contributions/revenue (offset) includes PennDOT Grants	135,845	135,845
Total net expenses	<u>\$ 677,102</u>	<u>\$ 677,102</u>

**Independent Accountants' Report on
Applying Agreed Upon Procedures on the
Reconciliation - Schedule of Expenditures of
Federal Awards (SEFA) to the Federal Award Income Received
from the Pennsylvania Department of Human Services per
the Pennsylvania Audit Confirmation Reply**

Board of Directors
Avenues and Affiliates

We have performed the procedures enumerated below, which were agreed to by Board of Directors and the Commonwealth of Pennsylvania, Office of Developmental Programs, to the accompanying financial schedules of the Avenues and Affiliates ("Avenues") for the year ended June 30, 2016, solely to assist you in evaluating the Avenues' compliance with the requirements of the Pennsylvania Office of Developmental Programs. Avenues' management is responsible for compliance with the requirements of the Pennsylvania Office of Developmental Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and findings are as follows:

- a) Agree the expenditure amounts listed on the reconciliation schedule under the "Federal Expenditures per the SEFA" column to the audited Schedule of Expenditures of Federal Awards (SEFA).
- b) Agree the receipt amounts listed on the reconciliation schedule under the "Federal Awards Received per the audit confirmation reply from Pennsylvania" column to the sub-recipient Federal amounts that were reflected in the audit confirmation reply from the Office of Budget, Comptroller Operations.
- c) Recalculate the amounts listed under the "Difference" column and "% of Difference" column.
- d) Agree the amounts listed under the "Difference" column to the audited books and records of Avenues and Affiliates.
- e) Agree the "Detailed Explanation of the Differences" to the audited books and records of Avenues and Affiliates.
- f) The processes detailed in paragraphs (a) through (e) above, disclose no adjustments.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on any of the financial schedules referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Board of Directors and Pennsylvania Office of Developmental Programs and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
March 29, 2017

Avenues and Affiliates

Reconciliation of Federal Awards Passed Through the Pennsylvania Department of Human Services
Expenditures per the SEFA to Revenue Received per the Pennsylvania Audit Confirmation Reply
Year Ended June 30, 2016

<u>CFDA Name</u>	<u>CFDA Number</u>	<u>Federal Expenditures per the SEFA</u>	<u>Federal Awards Received per the Audit Confirmation Reply from Pennsylvania</u>	<u>Difference</u>	<u>% Difference</u>	<u>Detailed Explanation of the Differences</u>
Medical Assistance Program	93.778	\$ 2,488,575	\$ 2,475,416	\$ 13,159	0.53%	Timing difference due to cash versus accrual records

Independent Accountants' Report on Indirect Cost Allocation Plan

Board of Directors
Avenues and Affiliates

We have examined the methods used by Avenues and Affiliates (collectively, "Avenues") to allocate indirect costs as required by county contracts, consistent with the Commonwealth of Pennsylvania, Department of Human Services, Title 4300 Regulations for the year ended June 30, 2016. Avenues' management is responsible for the indirect cost allocation plan. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the indirect cost allocation plan and performing such other procedures as we consider necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the indirect cost allocation plan of Avenues presents, in all material respects, an equitable distribution of costs for the year ended June 30, 2016, in conformity with the Commonwealth of Pennsylvania, Department of Human Services, Title 4300 Regulations.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
March 29, 2017