

**THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)**

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITOR'S REPORT AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
INDEPENDENT AUDITOR'S REPORTS IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE**

FOR THE YEAR ENDED JUNE 30, 2017

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Lehigh Conference of Churches
Allentown, PA

Report on the Financial Statements

We have audited the accompanying financial statements of The Lehigh Conference of Churches (a Not-for-Profit Corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lehigh Conference of Churches as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16, The Lehigh Conference of Churches improperly recognized pledges receivable during the fiscal year ended June 30, 2016. The Lehigh Conference of Churches has restated its 2016 financial statements for the correction of this misstatement. Our opinion is not modified with respect to this matter.

Summarized Comparative Information

We have previously audited The Lehigh Conference of Churches' 2016 financial statements and our report dated March 28, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of units of service provided and budget vs. actual are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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* and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018 on our consideration of The Lehigh Conference of Churches' 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 The Lehigh Conference of Churches' internal control over financial reporting and compliance.

Congbell, Roppold & Yasuta LLP

February 21, 2018

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
June 30, 2017
With Summarized Totals for 2016

| ASSETS: | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | |
|---|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | | | | June 30, | |
| | | | | 2017 | 2016 |
| Cash | \$ 332,934 | \$ 27,332 | \$ 625 | \$ 360,891 | \$ 178,104 |
| Cash - Custodial | 132,401 | - | - | 132,401 | 109,294 |
| Investments (Notes 2 and 3) | 102,998 | 466,105 | 397,297 | 966,400 | 983,606 |
| Accounts and Grants Receivable | 83,861 | - | - | 83,861 | 143,970 |
| Pledges Receivable, Net (Note 4) | - | 48,050 | - | 48,050 | 72,891 |
| Commitments Receivable (Less Allowance for Uncollectibles of \$100 and \$100) | - | 2,918 | - | 2,918 | 250 |
| Prepaid Expenses | 9,678 | - | - | 9,678 | 7,349 |
| Land, Building and Equipment (Net of Accumulated Depreciation) (Note 5) | 1,467,886 | - | - | 1,467,886 | 988,842 |
| TOTAL ASSETS | \$ 2,129,758 | \$ 544,405 | \$ 397,922 | \$ 3,072,085 | \$ 2,484,306 |
| LIABILITIES AND NET ASSETS: | | | | | |
| LIABILITIES: | | | | | |
| Accounts Payable | \$ 78,794 | \$ - | \$ - | \$ 78,794 | \$ 109,072 |
| Accrued Expenses | 13,009 | - | - | 13,009 | 50,873 |
| Custodial Funds | 132,401 | - | - | 132,401 | 109,294 |
| Long Term Debt (Note 6) | 726,862 | - | - | 726,862 | 230,391 |
| Deferred Revenue | 213,862 | - | - | 213,862 | 131,347 |
| TOTAL LIABILITIES | 1,164,928 | - | - | 1,164,928 | 630,977 |
| NET ASSETS: | | | | | |
| Unrestricted: | | | | | |
| Unrestricted and Undesignated | 934,562 | - | - | 934,562 | 794,661 |
| Board Designated for Endowment (Note 9) | 30,268 | - | - | 30,268 | 31,541 |
| Temporarily Restricted (Note 7) | - | 544,405 | - | 544,405 | 629,205 |
| Permanently Restricted (Notes 7 and 9) | - | - | 397,922 | 397,922 | 397,922 |
| TOTAL NET ASSETS | 964,830 | 544,405 | 397,922 | 1,907,157 | 1,853,329 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,129,758 | \$ 544,405 | \$ 397,922 | \$ 3,072,085 | \$ 2,484,306 |

See independent auditor's report and notes to financial statements.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017
With Summarized Totals for 2016

| | Year Ended June 30, 2017 | | | Total | |
|--|--------------------------|---------------------------|---------------------------|-----------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Year Ended June 30, 2017 | 2016 |
| <i>Support and Revenue:</i> | | | | | |
| Contributions | \$ 164,559 | \$ 3,150 | \$ - | \$ 167,709 | \$ 324,005 |
| In-Kind Contributions (Note 10) | 160,625 | - | - | 160,625 | 615,289 |
| Grants: | | | | | |
| Lehigh County | 2,172,974 | - | - | 2,172,974 | 2,398,002 |
| Northampton County | 374,690 | - | - | 374,690 | 230,022 |
| City of Allentown | 53,780 | - | - | 53,780 | 98,028 |
| Federal Government | 1,032,145 | - | - | 1,032,145 | 960,319 |
| Other | 258,790 | - | - | 258,790 | 255,850 |
| United Way | 62,639 | - | - | 62,639 | 68,496 |
| Program Services | 166,992 | - | - | 166,992 | 124,952 |
| Investment Income | 11,206 | 11,076 | - | 22,282 | 23,396 |
| Realized and Unrealized Gains and Losses | 41,332 | 34,107 | - | 75,439 | 11,068 |
| Special Events | 21,022 | - | - | 21,022 | 37,634 |
| Other Income | 229,450 | - | - | 229,450 | 29,276 |
| Net Assets Released from Restriction (Note 8) | 133,133 | (133,133) | - | - | - |
| Total Support and Revenue | \$ 4,883,337 | \$ (84,800) | \$ - | \$ 4,798,537 | \$ 5,176,337 |
| <i>Expenses:</i> | | | | | |
| Aspires | \$ - | \$ - | \$ - | \$ - | \$ 48 |
| Clearinghouse | 2,052,940 | - | - | 2,052,940 | 2,327,577 |
| Daybreak | 375,639 | - | - | 375,639 | 305,332 |
| Soup Kitchen | 230,518 | - | - | 230,518 | 279,953 |
| Ecumenism | 140,718 | - | - | 140,718 | 135,659 |
| Homeless Support Services | 116,107 | - | - | 116,107 | 183,392 |
| Homelessness Prevention | 34,861 | - | - | 34,861 | 43,375 |
| Pathways | 1,266,303 | - | - | 1,266,303 | 1,058,732 |
| Pharmaceutical Assistance | 4,445 | - | - | 4,445 | 21,793 |
| HOPE ICM | 132,908 | - | - | 132,908 | 162,513 |
| Warming Center | - | - | - | - | 185,660 |
| Management and General | 339,063 | - | - | 339,063 | 85,199 |
| Fund Raising | 51,207 | - | - | 51,207 | 36,589 |
| Total Expenses | \$ 4,744,709 | \$ - | \$ - | \$ 4,744,709 | \$ 4,825,822 |
| Increase (Decrease) in Net Assets | \$ 138,628 | \$ (84,800) | \$ - | \$ 53,828 | \$ 350,515 |
| Net Assets at Beginning of Year, as Previously Reported | 826,202 | 696,693 | 397,922 | 1,920,817 | 1,502,814 |
| Restatement (Note 16) | - | (67,488) | - | (67,488) | - |
| Net Assets at Beginning of Year (as Restated) | 826,202 | 629,205 | 397,922 | 1,853,329 | 1,502,814 |
| Net Assets at End of Year | <u>\$ 964,830</u> | <u>\$ 544,405</u> | <u>\$ 397,922</u> | <u>\$ 1,907,157</u> | <u>\$ 1,853,329</u> |

See independent auditor's report and notes to financial statements.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017
With Summarized Totals for 2016

| | Program Services | | | | | | |
|--|------------------|---------------------|-------------------|-------------------|-------------------|---------------------------------|----------------------------|
| | Aspires | Clearinghouse | Daybreak | Soup Kitchen | Ecumenism | Homeless Support Services | Homelessness Prevention |
| Salaries | \$ - | \$ 381,907 | \$ 209,921 | \$ 77,636 | \$ 91,193 | \$ 86,294 | \$ 29,180 |
| Employee Benefits | - | 46,531 | 40,128 | 7,494 | 19,801 | 12,049 | 286 |
| Payroll Taxes | - | 26,768 | 15,237 | 5,925 | 6,876 | 6,020 | 1,995 |
| Total | \$ - | \$ 455,206 | \$ 265,286 | \$ 91,055 | \$ 117,870 | \$ 104,363 | \$ 31,461 |
| Travel and Entertainment | - | 2,254 | 1,671 | 183 | 377 | 3,194 | 1 |
| Telephone | - | 4,966 | 533 | 484 | 309 | 46 | 10 |
| Occupancy | - | 34,775 | 9,775 | 10,046 | 2,618 | 1,477 | 1,271 |
| Postage and Shipping | - | 561 | 281 | 94 | 163 | 24 | 6 |
| Equipment Maintenance | - | 2,712 | 11,483 | 933 | 1,381 | 206 | 47 |
| Materials and Supplies | - | 10,514 | 16,624 | 13,707 | 3,385 | 5,313 | 154 |
| Program Food Expense | - | 8 | 54,864 | 109,169 | 84 | 25 | - |
| Rental Assistance | - | 1,520,924 | 66 | 22 | 38 | 6 | 1 |
| Printing | - | 347 | 220 | 73 | 438 | 51 | 4 |
| Insurance | - | 1,906 | 1,497 | 498 | 868 | 129 | 29 |
| Professional Fees | - | 7,023 | 5,925 | 2,070 | 7,925 | 705 | 168 |
| Miscellaneous | - | 581 | 726 | 118 | 709 | 31 | 1,587 |
| Conference, Convention and Meetings | - | 501 | 164 | 54 | 95 | 14 | 3 |
| Dues and Subscriptions | - | 667 | 586 | 195 | 1,289 | 51 | 12 |
| Interest | - | 1,301 | 1,143 | 380 | 663 | 99 | 22 |
| Bad Debt | - | 3,772 | 471 | - | - | - | - |
| Total Before Depreciation | \$ - | \$ 2,048,018 | \$ 371,315 | \$ 229,081 | \$ 138,212 | \$ 115,734 | \$ 34,776 |
| Depreciation | - | 4,922 | 4,324 | 1,437 | 2,506 | 373 | 85 |
| Total Expenses 2016-2017 | \$ - | \$ 2,052,940 | \$ 375,639 | \$ 230,518 | \$ 140,718 | \$ 116,107 | \$ 34,861 |
| Total Expenses 2015-2016 | \$ 48 | \$ 2,327,577 | \$ 305,332 | \$ 279,953 | \$ 135,659 | \$ 183,392 | \$ 43,375 |

See independent auditor's report and notes to financial statements.

| Pathways | Pharmaceutical Assistance | HOPE ICM | Warming Center | Total Program Services | Support Services | | Total | |
|---------------------|---------------------------|-------------------|-------------------|------------------------|------------------------|------------------|---------------------|---------------------|
| | | | | | Management and General | Fund Raising | Year Ended June 30, | |
| | | | | | | | 2017 | 2016 |
| \$ 264,007 | \$ 32 | \$ 86,481 | \$ - | \$ 1,226,651 | \$ 130,198 | \$ 4,257 | \$ 1,361,106 | \$ 1,320,330 |
| 19,359 | 3 | 13,724 | - | 159,375 | 14,172 | 33 | 173,580 | 188,805 |
| 20,880 | 4 | 6,633 | - | 90,338 | 17,973 | 508 | 108,819 | 108,113 |
| \$ 304,246 | \$ 39 | \$ 106,838 | \$ - | \$ 1,476,364 | \$ 162,343 | \$ 4,798 | \$ 1,643,505 | \$ 1,617,248 |
| 3,109 | - | 2,645 | - | 13,434 | 498 | 1 | 13,933 | 11,664 |
| 4,083 | 1 | 1,986 | - | 12,418 | 4,045 | 9 | 16,472 | 16,435 |
| 49,959 | 8 | 3,538 | - | 113,467 | 32,875 | 75 | 146,417 | 150,947 |
| 698 | 1 | 210 | - | 2,038 | 2,133 | 9,157 | 13,328 | 5,355 |
| 5,727 | 4 | 2,672 | - | 25,165 | 18,063 | 41 | 43,269 | 31,424 |
| 21,759 | 4,367 | 4,101 | - | 79,924 | 13,566 | 812 | 94,302 | 150,194 |
| 12 | - | 5 | - | 164,167 | 55 | - | 164,222 | 184,558 |
| 846,698 | - | 49 | - | 2,367,804 | 502 | 1 | 2,368,307 | 2,413,102 |
| 434 | - | 196 | - | 1,763 | 1,666 | 1,637 | 5,066 | 6,435 |
| 2,539 | 3 | 1,118 | - | 8,587 | 11,353 | 26 | 19,966 | 25,457 |
| 10,725 | 10 | 4,292 | - | 38,843 | 42,132 | 33,955 | 114,930 | 119,078 |
| 598 | 1 | 265 | - | 4,616 | 2,697 | 6 | 7,319 | 17,561 |
| 582 | - | 247 | - | 1,660 | 1,242 | 571 | 3,473 | 1,691 |
| 987 | 1 | 437 | - | 4,225 | 4,440 | 23 | 8,688 | 1,600 |
| 1,926 | 2 | 854 | - | 6,390 | 8,668 | 20 | 15,078 | - |
| 4,939 | - | 226 | - | 9,408 | - | - | 9,408 | 18,000 |
| \$ 1,259,021 | \$ 4,437 | \$ 129,679 | \$ - | \$ 4,330,273 | \$ 306,278 | \$ 51,132 | \$ 4,687,683 | \$ 4,770,749 |
| 7,282 | 8 | 3,229 | - | 24,166 | 32,785 | 75 | 57,026 | 55,073 |
| \$ 1,266,303 | \$ 4,445 | \$ 132,908 | \$ - | \$ 4,354,439 | \$ 339,063 | \$ 51,207 | \$ 4,744,709 | |
| \$ 1,058,732 | \$ 21,793 | \$ 162,513 | \$ 185,660 | \$ 4,704,034 | \$ 85,199 | \$ 36,589 | | \$ 4,825,822 |

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2017 and 2016

| | Year Ended June 30, | |
|--|------------------------|------------|
| <u>Cash Flows from Operating Activities:</u> | 2017 | 2016 |
| CHANGE IN NET ASSETS | \$ 53,828 | \$ 350,515 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 57,026 | 55,073 |
| Donated Property | - | (415,969) |
| Contributions Restricted for Capital Expenditures | - | (72,891) |
| (Increase) Decrease in Custodial Cash | (23,107) | 40,843 |
| Decrease in Accounts and Grants Receivable | 60,109 | 72,651 |
| (Increase) Decrease in Commitments Receivable | (2,668) | 73 |
| (Increase) Decrease in Prepaid Expenses | (2,329) | 18,852 |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | (68,142) | 63,606 |
| Increase (Decrease) in Custodial Funds | 23,107 | (40,843) |
| Increase in Deferred Revenue | 82,515 | 77,902 |
| Realized and Unrealized Gain on Investments | (75,439) | (11,068) |
| Net Cash Provided by Operating Activities | 104,900 | 138,744 |
| <u>Cash Flows from Investing Activities:</u> | | |
| Purchase of Land, Building and Equipment | (536,070) | (324,505) |
| Purchase of Investments | (66,465) | (38,087) |
| Sales of Investments | 159,110 | 15,000 |
| Collections on Capital Campaign Pledges Receivable | 24,841 | - |
| Net Cash Used by Investing Activities | (418,584) | (347,592) |
| <u>Cash Flows from Financing Activities:</u> | | |
| Proceeds from Long Term Debt | 727,646 | 240,000 |
| Principal Payments on Long Term Debt | (231,175) | (9,609) |
| Net Cash Provided by Financing Activities | 496,471 | 230,391 |
| Net Increase in Cash and Cash Equivalents | 182,787 | 21,543 |
| Cash and Cash Equivalents at Beginning of Year | 178,104 | 156,561 |
| Cash and Cash Equivalents at End of Year | \$ 360,891 | \$ 178,104 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Donated Property | \$ - | \$ 415,969 |
| Interest Paid | \$ 15,078 | \$ 5,304 |

See independent auditor's report and notes to financial statements.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Lehigh Conference of Churches is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania. Responding to the call of Jesus Christ, the mission of The Lehigh Conference of Churches is to unite communities of faith as ecumenical partners. Putting our faith into action, we minister to and advocate for those in need and encourage all to reach their full potential. The Lehigh Conference of Churches provides programs such as Daybreak, Pathways, Linkage and a Soup Kitchen. Principal sources of revenue are federal and local grant revenues as well as contributions from member churches and the general public.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization classifies resources for accounting and report purposes into three net asset categories according to externally (donor) imposed restrictions.

A description of the three net asset categories follows:

Unrestricted Net Assets

Unrestricted net assets include funds not subject to donor-imposed stipulations. In general, the revenues received and expenses incurred in conducting the Organization's charitable mission are included in this category.

Temporarily Restricted Assets

Temporarily restricted net assets include gifts, grants and pledges whose use by the Organization has been limited by donors to later periods of time or after specified dates, or to specified purpose.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts and pledges which are required by donor-imposed restrictions to be invested in perpetuity and only income be made available for operations in accordance with donor restrictions.

Income Taxes

The Organization is a non-profit public charity Organization incorporated in the Commonwealth of Pennsylvania and exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Beginning with the year ended June 30, 2014, the Organization began voluntarily filing a Federal Form 990.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Organization follows the accounting guidance as codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Incomes Taxes - Uncertainty in Income Taxes. FASB ASC 740 clarifies the accounting for uncertainties in income taxes recognized in the Organization's financial statements.

The standard prescribes 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. The standards also provides guidance on derecognition, classification, interest and penalties and disclosure.

The Organization has no material unrecognized tax benefits or accrued interest or penalties. The Organization has filed tax returns in the U.S. and Commonwealth of Pennsylvania. The years ended June 30, 2015, 2016 and 2017 are open for examination by taxing authorities generally for three years after filing.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include cash on hand, cash in checking, and funds held in a money market mutual fund. Cash and cash equivalents exclude cash received with donor-imposed stipulations restricting its use to long-term purposes, and cash held in custodial accounts.

Accounts and Grants Receivable

The Organization receives grants from federal, state and local agencies to be used for specific programs. The excess of reimbursable expenditures of cash receipts is included in accounts and grants receivable at year end. Also included in accounts and grants receivable at year end are fees for program services. Management has determined that no allowance for doubtful accounts is appropriate as of June 30, 2017. Accounts are charged off when the Organization believes they are uncollectible.

Commitments Receivable

Member churches of The Lehigh Conference of Churches have the opportunity each year to make a contribution commitment to the Organization. These church commitments are for the calendar year. As such, one half of the calendar year commitment is recorded in temporarily restricted net assets for use in the following fiscal year. All commitments receivable as of June 30th are expected to be collected within the next six months.

Pledges Receivable

Contributions are recognized when the donor makes a pledge to give to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenues

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to report contributions whose restricted purpose is met within the year the gift is given as unrestricted contributions on the statement of activities.

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

Deferred Revenue

Deferred revenue is comprised of advance grant funding and supportive housing rental payments to be used for future program related expenses.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Land Building and Equipment

Land, building and equipment is stated at cost. The Organization capitalizes items with a cost greater than \$5,000 and a useful life greater than one year. Routine repairs and maintenance expenses are expensed as incurred. Depreciation is computed by use of the straight-line method based on estimated useful lives.

| | <u>Years</u> |
|---------------------------|--------------|
| Building and Improvements | 15 - 39 |
| Leasehold Improvements | 10 - 40 |
| Furniture and Equipment | 5 - 7 |

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Donated services of a specialized skill that would be purchased in the absence of this donation are recorded at estimated market rate for the corresponding hours spent.

No amounts have been reflected in the statements for general donated services inasmuch as no objective basis is available to measure the value of such services; however, 3,325 volunteers have donated 10,713 hours of their time in the Organization's program services and in its fund-raising campaigns for the fiscal year ended June 30, 2017.

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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been estimated and allocated among the programs and supporting services benefited. Any expenses not directly chargeable to a program are allocated between program, management and general, and fund raising based on management's estimates.

Reclassifications

Prior period financial statement amounts have been reclassified to conform to current period presentation.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2. Investments

Mutual Fund investments of unrestricted, temporarily restricted and permanently restricted net assets are as follows:

| | Market Value as of June 30, | |
|----------------------------|-----------------------------|-------------------|
| | 2017 | 2016 |
| Unrestricted: | | |
| Undesignated | \$ 72,730 | \$ 37,912 |
| Board Designated Endowment | 30,268 | 31,541 |
| Temporarily Restricted | 466,105 | 516,856 |
| Permanently Restricted | 397,297 | 397,297 |
| | <u>\$ 966,400</u> | <u>\$ 983,606</u> |

Investment return and its classification in the statement of activities is as follows:

| | For the Year Ended June 30, | |
|--|-----------------------------|------------------|
| | 2017 | 2016 |
| Investment Income: | | |
| Dividends and Capital Gain | | |
| Distributions | \$ 22,111 | \$ 23,087 |
| Interest Income | 171 | 309 |
| | <u>22,282</u> | <u>23,396</u> |
| Realized and Unrealized Gains and Losses: | | |
| Unrealized Gains | 75,439 | 11,068 |
| | <u>\$ 97,721</u> | <u>\$ 34,464</u> |

3. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

3. Fair Value Measurements (Continued)

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Mutual funds: Valued at the net asset value ("NAV") of shares held by the Organization at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017 and 2016:

| Assets at Fair Value as of June 30, 2017 | | | | |
|--|------------|---------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual Funds | | | | |
| Moderate Allocation | \$ 941,556 | \$ - | \$ - | \$ 941,556 |
| Large Value | 24,844 | - | - | 24,844 |
| Total Assets at Fair Value | \$ 966,400 | \$ - | \$ - | \$ 966,400 |
| Assets at Fair Value as of June 30, 2016 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual Funds | | | | |
| Moderate Allocation | \$ 959,938 | \$ - | \$ - | \$ 959,938 |
| Large Value | 23,668 | - | - | 23,668 |
| Total Assets at Fair Value | \$ 983,606 | \$ - | \$ - | \$ 983,606 |

There were no transfers between Level 1, Level 2 and Level 3 investments in 2017 and 2016. All transfers are recognized at the end of the reporting period.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. Pledges Receivable

The Organization began a capital campaign to support the construction renovations of Dubbs Memorial United Church of Christ.

Pledges receivable, net of allowance for uncollectible pledges and unamortized discount, are summarized as follows:

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|-----------------------------|-----------------------------|
| Receivable in less than one year | \$ 5,000 | \$ 35,000 |
| Receivable in one to three years | <u>43,500</u> | <u>43,500</u> |
| Total Pledges Receivable | 48,500 | 78,500 |
| Less: Discount | (200) | (1,684) |
| Less: Allowance for Uncollectibles | <u>(250)</u> | <u>(3,925)</u> |
| Net Pledges Receivable | <u><u>\$ 48,050</u></u> | <u><u>\$ 72,891</u></u> |

A discount rate of 4.25% was used on long-term pledges receivable.

5. Land, Building and Equipment

Land, building and equipment are composed of:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|----------------------------|--------------------------|
| Land | \$ 45,395 | \$ 45,395 |
| Land Improvements | 13,881 | 13,881 |
| Building | 1,206,069 | 669,998 |
| Leasehold Improvements | 469,207 | 469,207 |
| Furniture and Equipment | <u>95,158</u> | <u>95,158</u> |
| | 1,829,710 | 1,293,639 |
| Less: Accumulated Depreciation | <u>(361,824)</u> | <u>(304,797)</u> |
| | <u><u>\$ 1,467,886</u></u> | <u><u>\$ 988,842</u></u> |

Depreciation charged to expense was \$57,026 and \$55,073 for the years ended June 30, 2017 and 2016, respectively.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

6. Long Term Debt

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Long-Term Debt consists of: | | |
| \$240,000 term loan, interest is fixed at 3% unless an event of default occurs at which time the interest rate would be 8%, principal and interest due monthly \$1,657, due in full September 2030, secured by real property | \$ - | \$ 230,391 |
| \$730,000 Note Payable, variable interest rate (4.2% at June 30, 2017), interest due monthly, due in full July 2019, secured by real property | 726,862 | - |
| | <u>\$ 726,862</u> | <u>\$ 230,391</u> |

The loan maturities are as follows:

Year Ended June 30,

| | |
|------|-------------------|
| 2018 | \$ - |
| 2019 | 726,862 |
| | <u>\$ 726,862</u> |

Interest paid totaled \$15,078 and \$5,304 for the years ended June 30, 2017 and 2016, respectively.

See note 17 on page 22 for Long Term debt that was issued after year - end.

7. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets consist of the following:

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Soup Kitchen | \$ 23,043 | \$ 23,043 |
| Feeding and Aiding the Needy and Underprivileged | 390,134 | 478,103 |
| Future Operations | 7,106 | 6,656 |
| Pathways | 100 | 100 |
| Earnings on Endowment for Campbell Lectureship | 45,204 | 42,010 |
| Capital Campaign | 48,050 | 72,891 |
| Earnings on Endowment for Operations | 30,768 | 6,402 |
| | <u>\$ 544,405</u> | <u>\$ 629,205</u> |

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

7. Restrictions and Limitations on Net Asset Balances (Continued)

Permanently restricted net assets consist of the following:

| | 2017 | 2016 |
|----------------------|------------|------------|
| Campbell Lectureship | \$ 35,578 | \$ 35,578 |
| Endowment | 362,344 | 362,344 |
| | \$ 397,922 | \$ 397,922 |

8. Net Assets Released from Restrictions

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

| | 2017 | 2016 |
|--|------------|------------|
| Feeding and Aiding the Needy and Underprivileged | \$ 87,970 | \$ 121,891 |
| Campbell Lecture | 3,498 | 4,435 |
| Operating Expenses | 16,825 | 16,312 |
| Capital Campaign | 24,840 | - |
| | \$ 133,133 | \$ 142,638 |

9. Endowment

The Organization follows Act 141 of the Commonwealth of Pennsylvania and its own governing documents. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. Under the terms of the Organization's governing documents, the Board of Directors has the sole discretion to distribute any portion of the original principal of any gift, trust, bequest or fund that has not been permanently or temporarily restricted as determined by the Board of Directors. For financial statement purposes, all contributions not classified as temporarily or permanently restricted are classified as unrestricted net assets.

As of June 30, 2017 and 2016, there were board designated endowment funds of \$30,268 and \$31,541, respectively that are classified and reported as unrestricted net assets.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

9. Endowment (Continued)

The Organization has adopted endowment investment and spending policies which have been approved by the Board of Directors. The goal of the endowment investment policy is to attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Under this policy the endowments are invested in various Vanguard Mutual Funds.

The percentage of the general endowment fund to be distributed each year for current operations is determined by the Board of Directors each year and is within the range of percentages permitted under applicable Pennsylvania law, as amended from time to time, which currently ranges from not less than 2% to not more than 7% per year. In the absence of a specific determination by the Board of Directors of the applicable percentage for any given year, the percentage shall be 4%. The annual spending amount released to operations for the years ended June 30, 2017 and 2016 was calculated at 4%, using a three year rolling average of the ending market value of the endowment fund with a one year delay.

Interest and dividends earned during a given fiscal year on the Campbell Lecture Endowment are to be used to cover the excess Campbell Lecture expenses over revenues raised that year.

Endowment Net Asset Composition by Type of Fund as of June 30, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Board designated endowment funds | \$ 30,268 | \$ - | \$ - | \$ 30,268 |
| Donor-restricted endowment funds | - | 72,191 | 397,922 | 470,113 |
| | <u>\$ 30,268</u> | <u>\$ 72,191</u> | <u>\$ 397,922</u> | <u>\$ 500,381</u> |

Endowment Net Asset Composition by Type of Fund as of June 30, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Board designated endowment funds | \$ 31,541 | \$ - | \$ - | \$ 31,541 |
| Donor-restricted endowment funds | - | 43,894 | 397,922 | 441,816 |
| | <u>\$ 31,541</u> | <u>\$ 43,894</u> | <u>\$ 397,922</u> | <u>\$ 473,357</u> |

According to generally accepted accounting principles, the permanently restricted portion of the endowment fund is equivalent to the donor gift basis, the accumulated value of the original contributions made to an individual fund. Endowment funds with fair market values that are less than the donor gift basis are represented as realized and unrealized gains or losses in the amount of the accumulated net loss and are represented in unrestricted net assets.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

9. Endowment (Continued)

Changes in Endowment Net Assets for the fiscal year ended June 30, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|------------------|---------------------------|---------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 31,541 | \$ 43,894 | \$ 397,922 | \$ 473,357 |
| Investment return: | | | | |
| Investment Income | 684 | 11,076 | - | 11,760 |
| Net appreciation, realized and unrealized | 2,614 | 34,107 | - | 36,721 |
| Total investment return | 3,298 | 45,183 | - | 48,481 |
| Contributions | - | - | - | - |
| Realized and Unrealized to Donor Gift Basis | - | - | - | - |
| Appropriation of endowment assets for expenditure | (4,571) | (16,886) | - | (21,457) |
| Endowment net assets, end of year | <u>\$ 30,268</u> | <u>\$ 72,191</u> | <u>\$ 397,922</u> | <u>\$ 500,381</u> |

Changes in Endowment Net Assets for the fiscal year ended June 30, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|------------------|---------------------------|---------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 30,410 | \$ 41,330 | \$ 397,922 | \$ 469,662 |
| Investment return: | | | | |
| Investment Income | 794 | 12,424 | - | 13,218 |
| Net appreciation, realized and unrealized | 702 | 5,900 | - | 6,602 |
| Total investment return | 1,496 | 18,324 | - | 19,820 |
| Contributions | - | - | - | - |
| Realized and Unrealized to Donor Gift Basis | - | - | - | - |
| Appropriation of endowment assets for expenditure | (365) | (15,760) | - | (16,125) |
| Endowment net assets, end of year | <u>\$ 31,541</u> | <u>\$ 43,894</u> | <u>\$ 397,922</u> | <u>\$ 473,357</u> |

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

10. In-Kind Contributions

The food, land, building, various equipment and supply donations are as follows:

| | Year Ended June 30, | |
|----------------------------------|---------------------|------------|
| | 2017 | 2016 |
| Food Donations: Soup Kitchen | \$ 103,710 | \$ 145,013 |
| Food Donations: Daybreak Program | 45,912 | 28,856 |
| Land, Building and Equipment | - | 415,969 |
| Various Equipment and Supplies | 11,003 | 25,451 |
| | \$ 160,625 | \$ 615,289 |

11. Pension Plan

The Organization has established a SIMPLE IRA covering all eligible personnel. Eligible employees can contribute up to \$6,000 per year. The Organization matches the employees' contributions up to 3% of compensation and a maximum of \$6,000 per year. Total expense was \$25,501 and \$21,014 for the years ended June 30, 2017 and 2016, respectively.

12. Maintenance Agreement

The Organization has an agreement with Alliance Hall of Allentown, Inc. in which a monthly management fee is paid to Alliance Hall of Allentown, Inc. for operation, repair and maintenance of the common areas of the entire property. The fee is based on the occupant's percentage of space. Expenses incurred under this agreement were \$30,497 and \$35,199 for the years ended June 30, 2017 and 2016, respectively. The agreement expired in February, 2017 and was not renewed.

13. Operating Lease

The Organization entered into an operating lease agreement to rent space for the Pathways program effective October 20, 2013. The initial term of the agreement is for five years with an option to renew for three additional five year terms following termination of the initial term. Rent expense under the lease was \$39,908 and \$38,903 for the years ended June 30, 2017 and 2016, respectively.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

13. Operating Lease (Continued)

Minimum lease payments are as follows:

| | | |
|---------------------|------|------------------|
| Year ended June 30, | | |
| | 2018 | \$ 44,688 |
| | 2019 | <u>3,732</u> |
| | | <u>\$ 48,420</u> |

The Organization is also the lessee of residential apartments which are sublet to individuals who receive rental assistance under the supportive housing program grant from the U.S. Department of Housing and Urban Development. The aforementioned lease agreements are not in excess of one year.

14. Line of Credit

The Organization has a \$100,000 revolving bank line of credit, due on demand. Interest is at prime rate plus .5%. The line was not drawn upon during the years ended June 30, 2017 and 2016.

15. Concentration of Credit Risk

The Organization maintains accounts at various banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization had uninsured amounts of approximately \$64,000 at June 30, 2017.

While the Organization maintains cash balances which may exceed federally insured limits, it historically has not experienced any credit-related losses.

16. Prior Period Adjustment

An error resulting in the misstatement of pledges receivable was discovered during the June 30, 2017 audit. This error was corrected by decreasing contributions \$67,488, decreasing pledges receivable \$75,500, decreasing allowance for uncollectible pledges \$3,775 and decreasing discount on pledges receivable \$4,237 for the year ended June 30, 2016.

The following summarizes the prior period adjustment to beginning net assets referred to above:

| | |
|--|-------------------|
| Net Assets 6/30/2016, as Previously Stated | \$ 696,693 |
| Prior Period Adjustment | <u>(67,488)</u> |
| Net Assets 6/30/2016, as Restated | <u>\$ 629,205</u> |

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

17. Subsequent Events

Subsequent to year-end the Organization formed a single member Limited Liability Company, Lazarus Housing, LLC. The Lehigh Conference of Churches is the sole member of the LLC and it will be used to purchase real estate rentals for the Organization's Lazarus Program.

The LLC purchased its first piece of real estate in February of 2018. This purchase was funded, in part by a loan from a member of the board of directors of the Organization. The related party lent the Organization \$100,000 payable over 60 months beginning in December of 2017. The loan bears no interest unless the Organization defaults on the loan, at which the lender may impose a variable rate interest equal to the Applicable Federal Rate for mid-term loans, but no less than 2.11%.

Maturities on the loan are as follows:

Due Year Ended June 30,

| | |
|------------|--------------------------|
| 2018 | \$ 11,667 |
| 2019 | 20,000 |
| 2020 | 20,000 |
| 2021 | 20,000 |
| 2022 | 20,000 |
| Thereafter | <u>\$ 8,333</u> |
| | <u><u>\$ 100,000</u></u> |

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 21, 2018, the date the financial statements were available to be issued.

18. Summarized Totals for Year Ended June 30, 2016

The financial statements include certain prior year summarized comparative information in total but not by function or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

19. Concentration of Revenue

The Organization receives a substantial amount of its revenue from the U.S. Department of Housing and Urban Development and Lehigh County. The Supportive Housing Program and the Lehigh County Clearing House Programs accounted for 62% and 59% of the total support and revenue of the Organization for the years ended June 30, 2017 and 2016, respectively. Loss of or a significant reduction in the level of funding of these grants may have a significant effect on the Organization's programs and activities.

20. Other Income

Included in other income of \$229,450 on the statement of activities for the year ended June 30, 2017, is \$185,000 from the sale of the rights to the long term lease on a cell phone tower located on the property owned by the Organization.

SUPPLEMENTARY INFORMATION

**THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
SCHEDULE OF UNITS OF SERVICE PROVIDED
UNDER A CONTRACT WITH LEHIGH COUNTY
June 30, 2017**

| | <u>Rate</u> | <u>Units</u> | <u>Total Billing</u> |
|-------------------|-------------|--------------|--------------------------|
| Individual Units: | | | |
| Daybreak | \$ 5.56 | 29,375 | \$ 163,325 |

See auditor's report on supplementary information.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
PROFIT & LOSS BUDGET vs. ACTUAL (UNRESTRICTED)
July 2016 through June 2017

| | Jul '16 - Jun 17 | Budget | \$ Over Budget | % of Budget |
|-------------------------------------|-------------------|------------------|-------------------|-----------------|
| Ordinary Income/Expense | | | | |
| Income | | | | |
| 5000 · Contributions and Gifts | \$ 322,705 | \$ 300,000 | \$ 22,705 | 108% |
| 5050 · In Kind Contributions | 160,625 | 225,000 | (64,375) | 71% |
| 5100 · Lehigh County Revenues | 2,172,974 | 2,180,000 | (7,026) | 100% |
| 5125 · Northampton County Revenue | 374,690 | 345,400 | 29,290 | 108% |
| 5150 · State Revenues | | | | |
| 5200 · City-Allentown Revenues | 10,000 | 35,000 | (25,000) | 29% |
| 5210 · Homelessness Prevention/ RRH | 43,780 | 60,000 | (16,220) | 73% |
| 5250 · Federal Revenues | 1,070,865 | 1,013,112 | 57,753 | 106% |
| 5300 · United Way Revenues | 20,000 | 50,000 | (30,000) | 40% |
| 5400 · Special Events Revenues | 27,895 | 40,000 | (12,105) | 70% |
| 5500 · Various Grant Revenues | 220,071 | 275,000 | (54,929) | 80% |
| 5700 · Program Revenues | 122,141 | 90,000 | 32,141 | 136% |
| 5900 · Other Revenues | 270,926 | 37,531 | 233,395 | 722% |
| Total Income | 4,816,672 | 4,651,043 | 165,629 | 104% |
| Gross Profit | 4,816,672 | 4,651,043 | 165,629 | 104% |
| Expense | | | | |
| 4000 · Reconciliation Discrepancies | | | | |
| 6100 · Personnel | 1,644,295 | 1,790,000 | (145,705) | 92% |
| 6200 · Travel & Entertainment | 13,934 | 15,000 | (1,066) | 93% |
| 6400 · Telephone | 16,473 | 12,000 | 4,473 | 137% |
| 6500 · Utility Services | 39,146 | 25,000 | 14,146 | 157% |
| 6600 · Postage & Delivery | 13,328 | 6,000 | 7,328 | 222% |
| 6700 · Maintenance & Repairs | 56,614 | 25,000 | 31,614 | 226% |
| 6800 · Supplies & Program Exp | 228,659 | 300,000 | (71,341) | 76% |
| 6850 · Program Client Financial Aid | 2,368,309 | 2,256,690 | 111,619 | 105% |
| 6900 · Rent | 87,899 | 92,820 | (4,921) | 95% |
| 7000 · Insurance | 19,967 | 20,000 | (33) | 100% |
| 7100 · Equipment | 5,163 | 10,000 | (4,837) | 52% |
| 7200 · Depreciation | 57,027 | 30,000 | 27,027 | 190% |
| 7300 · Professional Services | 110,382 | 70,000 | 40,382 | 158% |
| 7400 · Other Gen Office Expense | 52,215 | 35,000 | 17,215 | 149% |
| 7500 · Miscellaneous | 6,337 | 6,000 | 337 | 106% |
| 7600 · Bad Debt Expenses | 9,408 | | | |
| 8000 · Interest Expense | 15,078 | | | |
| Total Expense | 4,744,234 | 4,693,510 | 50,724 | 101% |
| Net Ordinary Income | 72,438 | (42,467) | 114,905 | -171% |
| Other Income/Expense | | | | |
| Other Income | | | | |
| 8100 · Other Income | 34,002 | 47,989 | (13,987) | 71% |
| 8300 · Other Gains/Losses | 32,663 | (5,520) | 38,183 | -592% |
| Total Other Income | 66,665 | 42,469 | 24,196 | 157% |
| Other Expense | | | | |
| 8200 · Other Expense | 475 | | 475 | 100% |
| Total Other Expense | 475 | | 475 | 100% |
| Net Other Income | 66,190 | 42,469 | 23,721 | 156% |
| Net Income | \$ 138,628 | \$ 2 | \$ 138,626 | 6931400% |

See auditor's report on supplementary information.

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**THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Source Code | Federal CFDA Number | Project Number | Grant Period Beginning/ Ending Date | Program or Award Amount | Total Received for the Year | Accrued (Deferred) Revenue 7/1/2016 | Revenue Recognized | Expenditures | Accrued (Deferred) Revenue 6/30/2017 |
|--|----------------|---------------------------|-------------------|---|-------------------------------|-----------------------------------|--|-----------------------|------------------|---|
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | | | | | | | |
| Supportive Housing Program | D | 14.235 | PA0213L3T091407 | 09/01/2015-08/31/2016 | \$ 164,686 | \$ 37,000 | \$ - | \$ 37,000 | \$ 37,000 | \$ - |
| Supportive Housing Program | D | 14.235 | PA0213L3T091508 | 09/01/2016-08/31/2017 | 97,559 | 81,681 | - | 81,681 | 81,681 | - |
| Supportive Housing Program | D | 14.235 | PA0222L3T091407 | 09/01/2015-08/31/2016 | 210,870 | 37,746 | - | 37,746 | 37,746 | - |
| Supportive Housing Program | D | 14.235 | PA0222L3T091508 | 09/01/2016-08/31/2017 | 214,433 | 178,649 | - | 178,649 | 178,649 | - |
| Supportive Housing Program | D | 14.235 | PA0583L3T091403 | 09/01/2015-08/31/2016 | 275,948 | 58,552 | - | 58,552 | 58,552 | - |
| Supportive Housing Program | D | 14.235 | PA0583L3T091504 | 09/01/2016-08/31/2017 | 280,284 | 234,268 | - | 234,268 | 234,268 | - |
| Supportive Housing Program | D | 14.235 | PA0658L3T091401 | 11/01/2015-10/31/2016 | 187,664 | 55,352 | - | 55,352 | 55,352 | - |
| Supportive Housing Program | D | 14.235 | PA0658L3T091502 | 11/01/2015-10/31/2016 | 190,634 | 136,310 | - | 136,310 | 136,310 | - |
| Supportive Housing Program | D | 14.235 | PA0669L3T091401 | 11/01/2015-10/31/2016 | 173,944 | 53,863 | - | 53,863 | 53,863 | - |
| Supportive Housing Program | D | 14.235 | PA0669L3T091401 | 11/01/2016-10/31/2017 | 176,735 | 134,171 | - | 134,171 | 134,171 | - |
| TOTAL CFDA #14.218 | | | | | | <u>1,007,592</u> | <u>-</u> | <u>1,007,592</u> | <u>1,007,592</u> | <u>-</u> |

**THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended June 30, 2017**

| Source Code | Federal CFDA Number | Project Number | Grant Period Beginning/Ending Date | Program or Award Amount | Total Received for the Year | Accrued (Deferred) Revenue 7/1/2016 | Revenue Recognized | Expenditures | Accrued (Deferred) Revenue 6/30/2017 | | | |
|---|---------------------|----------------|------------------------------------|-------------------------|-----------------------------|-------------------------------------|---------------------|------------------|--------------------------------------|---------------------|-------------|-----------------|
| PASS-THROUGH AWARDS | | | | | | | | | | | | |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | | | | | | | | | |
| Passed Through the City of Allentown: | | | | | | | | | | | | |
| Rapid Re-Housing Program | | I | 14.231 | N/A | 07/01/2015-06/30/2016 | \$ 62,198 | \$ 8,258 | \$ 8,258 | \$ - | \$ - | \$ - | \$ - |
| Rapid Re-Housing Program | | I | 14.231 | N/A | 07/01/2016-06/30/2017 | 87,811 | 40,428 | - | 43,780 | 43,780 | - | 3,352 |
| Emergency Shelter Grant | | I | 14.231 | N/A | 07/01/2015-06/30/2016 | 25,000 | 5,476 | 5,476 | - | - | - | - |
| TOTAL CFDA #14.231 | | | | | | | <u>54,162</u> | <u>13,734</u> | <u>43,780</u> | <u>43,780</u> | <u>-</u> | <u>\$ 3,352</u> |
| Community Development Block Grant | | I | 14.218 | N/A | 07/01/2016-06/30/2017 | \$ 10,000 | 10,000 | - | 10,000 | 10,000 | \$ - | \$ - |
| TOTAL CFDA #14.231 | | | | | | | <u>10,000</u> | <u>-</u> | <u>10,000</u> | <u>10,000</u> | <u>\$ -</u> | <u>\$ -</u> |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | | <u>1,071,754</u> | <u>13,734</u> | <u>1,061,372</u> | <u>1,061,372</u> | <u>\$ -</u> | <u>\$ 3,352</u> |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | | | | | | | | | |
| Emergency Food and Shelter Program | | D | 97.024 | N/A | 02/01/2016-08/31/2017 | \$ 24,533 | 24,553 | - | 24,553 | 24,553 | \$ - | \$ - |
| TOTAL CFDA # 97.024/TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | | | | | <u>24,553</u> | <u>-</u> | <u>24,553</u> | <u>24,553</u> | <u>\$ -</u> | <u>\$ -</u> |
| TOTAL FEDERAL AWARDS | | | | | | | <u>\$ 1,096,307</u> | <u>\$ 13,734</u> | <u>\$ 1,085,925</u> | <u>\$ 1,085,925</u> | <u>\$ -</u> | <u>\$ 3,352</u> |

See Accompanying Notes to Schedule of Expenditures of Federal Awards

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Lehigh Conference of Churches (the "Organization") under programs of the federal government for the year ended June 30, 2017. 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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operation of The Lehigh Conference of Churches, it is not intended to and does not present the financial position, changes in net assets or cash flows of The Lehigh Conference of Churches.

NOTE B – BASIS OF ACCOUNTING

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COSTS

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

NOTE D – NON-CASH AWARDS

The Organization received no non-cash awards during the current year.

NOTE E – SUB-RECIPIENTS

There were no federal awards passed through to sub-recipients.

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

Board of Directors
The Lehigh Conference of Churches
Allentown, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Lehigh Conference of Churches (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Lehigh Conference of Churches' 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 The Lehigh Conference of Churches' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 The Lehigh Conference of Churches' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Congbell, Rappold & Yasuta LLP

February 21, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
The Lehigh Conference of Churches
Allentown, PA

Report on Compliance for Each Major Federal Program

We have audited The Lehigh Conference of Churches' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Lehigh Conference of Churches' major federal programs for the year ended June 30, 2017. The Lehigh Conference of Churches' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Lehigh Conference of Churches' major federal programs based on our audit of the types of compliance requirements referred to above. 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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 The Lehigh Conference of Churches' 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 The Lehigh Conference of Churches' compliance.

Opinion on Each Major Federal Program

In our opinion, The Lehigh Conference of Churches complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of The Lehigh Conference of Churches 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 The Lehigh Conference of Churches' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 The Lehigh Conference of Churches' 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.

Congbell, Rappold & Yucasita LLP

February 21, 2018

**THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance. yes no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 14.235 | Supportive Housing Program |

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

Auditee qualified as low-risk auditee? yes no

**THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

-NONE-

C. FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

- NONE -