

**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, 2018**

**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, 2018

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, 2018, 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, 2018, 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.

Summarized Comparative Information

We have previously audited The Lehigh Conference of Churches' 2017 financial statements and our report dated February 21, 2018, 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, 2017, 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 November 30, 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.

Coyne, Rappold & Yuravitz LLP

November 30, 2018

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
June 30, 2018
With Summarized Totals for 2017

ASSETS:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	June 30, 2017
Cash	\$ 443,938	\$ 30,236	\$ 625	\$ 474,799	\$ 360,891
Cash - Custodial	104,239	-	-	104,239	132,401
Investments (Notes 2 and 3)	101,260	391,436	397,297	889,993	966,400
Accounts and Grants Receivable	106,033	-	-	106,033	83,861
Pledges Receivable, Net (Note 4)	-	9,500	-	9,500	48,050
Commitments Receivable (Less Allowance for Uncollectibles of \$100 and \$100)	1,627	4,307	-	5,934	2,918
Prepaid Expenses	9,204	-	-	9,204	9,678
Land, Building and Equipment (Net of Accumulated Depreciation) (Note 5)	1,517,399	-	-	1,517,399	1,467,886
TOTAL ASSETS	\$ 2,283,700	\$ 435,479	\$ 397,922	\$ 3,117,101	\$ 3,072,085
LIABILITIES AND NET ASSETS:					
LIABILITIES:					
Accounts Payable	\$ 65,351	\$ -	\$ -	\$ 65,351	\$ 78,794
Accrued Expenses	15,879	-	-	15,879	13,009
Custodial Funds	104,239	-	-	104,239	132,401
Long Term Debt (Note 6)	906,049	-	-	906,049	726,862
Deferred Revenue	175,101	-	-	175,101	213,862
TOTAL LIABILITIES	1,266,619	-	-	1,266,619	1,164,928
NET ASSETS:					
Unrestricted:					
Unrestricted and Undesignated	1,012,537	-	-	1,012,537	934,562
Board Designated for Endowment (Note 9)	4,544	-	-	4,544	30,268
Temporarily Restricted (Note 7)	-	435,479	-	435,479	544,405
Permanently Restricted (Notes 7 and 9)	-	-	397,922	397,922	397,922
TOTAL NET ASSETS	1,017,081	435,479	397,922	1,850,482	1,907,157
TOTAL LIABILITIES AND NET ASSETS	\$ 2,283,700	\$ 435,479	\$ 397,922	\$ 3,117,101	\$ 3,072,085

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, 2018
With Summarized Totals for 2017

	Year Ended June 30, 2018			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2018	2017
<u>Support and Revenue:</u>					
Contributions	\$ 133,054	\$ 5,609	\$ -	\$ 138,663	\$ 167,709
In-Kind Contributions	157,340	-	-	157,340	160,625
Grants:					
Lehigh County	2,242,512	-	-	2,242,512	2,172,974
Northampton County	396,728	-	-	396,728	374,690
City of Allentown	107,716	-	-	107,716	53,780
Federal Government	986,715	-	-	986,715	1,032,145
Other	453,634	-	-	453,634	258,790
United Way	50,501	-	-	50,501	62,639
Program Services	364,242	-	-	364,242	166,992
Investment Income	27,888	11,943	-	39,831	22,282
Loss on Disposal of Land, Building and Equipment	(91,868)	-	-	(91,868)	-
Realized and Unrealized Gains and Losses	28,670	21,549	-	50,219	75,439
In-kind Contributions, Special Events	\$ 67,580				
Special Events Revenue	95,895				
Special Events Expense	(136,733)				
Special Events, Net	26,742	-	-	26,742	21,022
Other Income	4,222	-	-	4,222	229,450
Net Assets Released from Restriction (Note 8)	148,027	(148,027)	-	-	-
Total Support and Revenue	\$ 5,036,123	\$ (108,926)	\$ -	\$ 4,927,197	\$ 4,798,537
<u>Expenses:</u>					
Housing	\$ 1,214,584	\$ -	\$ -	\$ 1,214,584	\$ 1,266,303
Clearinghouse	2,157,960	-	-	2,157,960	2,052,940
Daybreak	354,656	-	-	354,656	375,639
Soup Kitchen	208,129	-	-	208,129	230,518
Ecumenism	146,451	-	-	146,451	140,718
Homeless Support Services	107,515	-	-	107,515	116,107
Homelessness Prevention	42,481	-	-	42,481	34,861
Lazarus House	71,891	-	-	71,891	-
HOPE ICM	186,035	-	-	186,035	132,908
Pharmaceutical Assistance	-	-	-	-	4,445
Management and General	466,369	-	-	466,369	339,063
Fund Raising	27,801	-	-	27,801	51,207
Total Expenses	\$ 4,983,872	\$ -	\$ -	\$ 4,983,872	\$ 4,744,709
Increase (Decrease) in Net Assets	52,251	(108,926)	-	(56,675)	53,828
Net Assets at Beginning of Year	964,830	544,405	397,922	1,907,157	1,853,329
Net Assets at End of Year	<u>\$ 1,017,081</u>	<u>\$ 435,479</u>	<u>\$ 397,922</u>	<u>\$ 1,850,482</u>	<u>\$ 1,907,157</u>

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

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THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018
With Summarized Totals for 2017

	Program Services						
	Housing	Clearinghouse	Daybreak	Soup Kitchen	Ecumenism	Homeless Support Services	Homelessness Prevention
Salaries	\$ 234,422	\$ 410,566	\$ 211,512	\$ 75,248	\$ 108,601	\$ 82,028	\$ 37,552
Employee Benefits	23,124	56,937	32,520	6,914	15,331	12,229	(550)
Payroll Taxes	17,497	28,752	15,332	5,416	7,839	5,810	2,674
Total	\$ 275,043	\$ 496,255	\$ 259,364	\$ 87,578	\$ 131,771	\$ 100,067	\$ 39,676
Travel and Entertainment	2,105	3,385	582	428	855	2,769	-
Telephone	3,815	4,965	214	272	114	-	-
Occupancy	51,340	18,369	2,318	8,120	1,223	840	70
Postage and Shipping	708	927	248	27	133	-	258
Equipment Maintenance	1,800	125	3,337	2,034	520	-	-
Materials and Supplies	9,089	3,859	12,518	9,485	192	3,694	268
Program Food Expense	478	-	59,662	98,224	477	-	-
Rental Assistance	855,150	1,628,465	-	-	-	-	-
Printing	560	-	322	89	178	-	-
Insurance	1,696	168	920	268	490	-	-
Professional Fees	2,862	734	1,490	429	4,164	145	73
Miscellaneous	321	708	174	51	93	-	2,136
Conference, Convention and Meetings	1,760	-	99	29	262	-	-
Dues and Subscriptions	471	-	255	124	286	-	-
Interest	1,293	-	10,499	205	4,293	-	-
Bad Debt	1,472	-	148	35	64	-	-
Total Before Depreciation	\$ 1,209,963	\$ 2,157,960	\$ 352,150	\$ 207,398	\$ 145,115	\$ 107,515	\$ 42,481
Depreciation	4,621	-	2,506	731	1,336	-	-
Total Expenses 2017-2018	\$ 1,214,584	\$ 2,157,960	\$ 354,656	\$ 208,129	\$ 146,451	\$ 107,515	\$ 42,481
Total Expenses 2016-2017	\$ 1,266,303	\$ 2,052,940	\$ 375,639	\$ 230,518	\$ 140,718	\$ 116,107	\$ 34,861

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

Lazarus House	HOPE ICM	Phamaceutical Assistance	Total Program Services	Support Services		Total	
				Management and General	Fund Raising	Year Ended June 30,	
						2018	2017
\$ 8,479	\$ 145,545	\$ -	\$ 1,313,953	\$ 204,178	\$ 10,211	\$ 1,528,342	\$ 1,361,106
-	11,786	-	158,291	30,797	-	189,088	173,580
599	10,564	-	94,483	19,745	723	114,951	108,819
\$ 9,078	\$ 167,895	\$ -	\$ 1,566,727	\$ 254,720	\$ 10,934	\$ 1,832,381	\$ 1,643,505
117	4,965	-	15,206	1,122	6	16,334	13,933
506	2,079	-	11,965	4,783	-	16,748	16,472
28,993	581	-	111,854	13,384	-	125,238	146,417
-	181	-	2,482	2,058	80	4,620	13,328
5,473	1,690	-	14,979	21,833	-	36,812	43,269
3,610	2,205	-	44,920	26,143	30	71,093	94,302
-	252	-	159,093	5,801	-	164,894	164,222
13,399	-	-	2,497,014	-	-	2,497,014	2,368,307
289	323	-	1,761	6,791	2,408	10,960	5,066
-	894	-	4,436	20,573	-	25,009	19,966
6,688	1,224	-	17,809	22,903	13,503	54,215	114,930
896	169	-	4,548	3,896	-	8,444	7,319
-	97	-	2,247	2,224	-	4,471	3,473
-	248	-	1,384	5,713	840	7,937	8,688
1,278	681	-	18,249	15,687	-	33,936	15,078
-	117	-	1,836	2,692	-	4,528	9,408
\$ 70,327	\$ 183,601	\$ -	\$ 4,476,510	\$ 410,323	\$ 27,801	\$ 4,914,634	\$ 4,687,683
1,564	2,434	-	13,192	56,046	-	69,238	57,026
\$ 71,891	\$ 186,035	\$ -	\$ 4,489,702	\$ 466,369	\$ 27,801	\$ 4,983,872	
\$ -	\$ 132,908	\$ 4,445	\$ 4,354,439	\$ 339,063	\$ 51,207		\$ 4,744,709

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2018 and 2017

	Year Ended June 30,	
<u>Cash Flows from Operating Activities:</u>	2018	2017
CHANGE IN NET ASSETS	\$ (56,675)	\$ 53,828
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	69,238	57,026
Loss on Disposal of Land, Building and Equipment	91,868	-
(Increase) Decrease in Custodial Cash	28,162	(23,107)
(Increase) Decrease in Accounts and Grants Receivable	(22,172)	60,109
(Increase) in Commitments Receivable	(3,016)	(2,668)
(Increase) Decrease in Prepaid Expenses	474	(2,329)
(Decrease) in Accounts Payable and Accrued Expenses	(10,571)	(68,142)
Increase (Decrease) in Custodial Funds	(28,162)	23,107
Increase (Decrease) in Deferred Revenue	(38,761)	82,515
Realized and Unrealized Gain on Investments	(50,219)	(75,439)
Net Cash Provided (Used) by Operating Activities	(19,834)	104,900
<u>Cash Flows from Investing Activities:</u>		
Purchase of Land, Building and Equipment	(210,621)	(536,070)
Purchase of Investments	(61,353)	(66,465)
Sales of Investments	187,979	159,110
Collections on Capital Campaign Pledges Receivable	38,550	24,841
Net Cash Used by Investing Activities	(45,445)	(418,584)
<u>Cash Flows from Financing Activities:</u>		
Proceeds from Long Term Debt	193,480	727,646
Principal Payments on Long Term Debt	(14,293)	(231,175)
Net Cash Provided by Financing Activities	179,187	496,471
Net Increase in Cash and Cash Equivalents	113,908	182,787
Cash at Beginning of Year	360,891	178,104
Cash at End of Year	\$ 474,799	\$ 360,891
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	\$ 33,936	\$ 15,078

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, 2018

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Lehigh Conference of Churches is a Not-for-Profit 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, Housing 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.

The Organization is the sole member of one limited liability company (Lazarus Housing, LLC) the operations of which are included under the activities of the Organization.

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, 2018

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. The years ended June 30, 2016, 2017 and 2018 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, 2018. 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, 2018

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, 2018

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, 3,421 volunteers have donated 11,860 hours of their time in the Organization's program services and in its fund-raising campaigns for the fiscal year ended June 30, 2018.

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 statement of activities and in the statement 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, 2018

2. Investments

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

	Market Value as of June 30,	
	<u>2018</u>	<u>2017</u>
Unrestricted:		
Undesignated	\$ 96,716	\$ 72,730
Board Designated Endowment	4,544	30,268
Temporarily Restricted	391,436	466,105
Permanently Restricted	<u>397,297</u>	<u>397,297</u>
	<u>\$ 889,993</u>	<u>\$ 966,400</u>

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

	For the Year Ended June 30,	
	<u>2018</u>	<u>2017</u>
Investment Income:		
Dividends and Capital Gain		
Distributions	\$ 39,543	\$ 22,111
Interest Income	288	171
	<u>39,831</u>	<u>22,282</u>
Realized and Unrealized Gains		
and Losses:		
Unrealized Gains	<u>50,219</u>	<u>75,439</u>
	<u>\$ 90,050</u>	<u>\$ 97,721</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;

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June 30, 2018

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, 2018 and 2017.

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, 2018 and 2017:

Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total
Money Market	\$ 12,119	\$ -	\$ -	\$ 12,119
Mutual Funds:				
Large Blend	854,392	\$ -	\$ -	854,392
Large Value	23,482	\$ -	\$ -	23,482
Total Assets at Fair Value	\$ 889,993	\$ -	\$ -	\$ 889,993
Assets at Fair Value as of June 30, 2017				
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Large Blend	\$ 941,556	\$ -	\$ -	\$ 941,556
Large Value	24,844	-	-	24,844
Total Assets at Fair Value	\$ 966,400	\$ -	\$ -	\$ 966,400

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3. Fair Value Measurements (Continued)

There were no transfers between Level 1, Level 2 and Level 3 investments in 2018 and 2017. All transfers are recognized at the end of the reporting period.

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>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 10,500	\$ 5,000
Receivable in one to three years	<u>2,500</u>	<u>43,500</u>
Total Pledges Receivable	13,000	48,500
Less: Discount	-	(200)
Less: Allowance for Uncollectibles	<u>(3,500)</u>	<u>(250)</u>
Net Pledges Receivable	<u>\$ 9,500</u>	<u>\$ 48,050</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>2018</u>	<u>2017</u>
Land	\$ 51,064	\$ 45,395
Land Improvements	13,881	13,881
Construction in Progress	26,011	-
Building	1,385,008	1,206,069
Leasehold Improvements	176,917	469,207
Furniture and Equipment	<u>79,348</u>	<u>95,158</u>
	1,732,229	1,829,710
Less: Accumulated Depreciation	<u>(214,830)</u>	<u>(361,824)</u>
	<u>\$ 1,517,399</u>	<u>\$ 1,467,886</u>

Depreciation charged to expense was \$69,238 and \$57,026 for the years ended June 30, 2018 and 2017, respectively.

THE LEHIGH CONFERENCE OF CHURCHES
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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

6. Long Term Debt

	<u>2018</u>	<u>2017</u>
Long-Term Debt consists of:		
\$100,000 Note Payable to a board member of the Organization. Note is non interest bearing. Principal due in 60 monthly Payment of \$1,667. Due in full December, 2022. Unsecured.	\$ 86,667	\$ -
\$500,000 Open-End Bank Mortgage. Interest only due for the first year, beginning May 2018. Interest rate for the first 12 Months is .5% over prime, 4.75% at June 30, 2018. After the First Year, Interest is fixed at the current 5 Year Treasury Rate Plus 2.5%. Secured by real property.	92,520	-
\$730,000 Note Payable, variable interest rate (4.75% at June 30, 2018), interest due monthly, due in full July 2019, secured by real property	<u>726,862</u>	<u>726,862</u>
	<u>\$ 906,049</u>	<u>\$ 726,862</u>

The loan maturities are as follows:

Year Ended June 30,

2019	\$ 21,928
2020	769,992
2021	43,130
2022	43,130
2023	<u>27,869</u>
	<u>\$ 906,049</u>

Interest paid totaled \$33,936 and \$15,078 for the years ended June 30, 2018 and 2017, respectively.

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

THE LEHIGH CONFERENCE OF CHURCHES
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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

7. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets consist of the following:

	2018	2017
Soup Kitchen	\$ 23,043	\$ 23,043
Feeding and Aiding the Needy and Underprivileged	304,130	390,134
Future Operations	9,564	7,106
Pathways	100	100
Earnings on Endowment for Campbell Lectureship	44,103	45,204
Capital Campaign	9,500	48,050
Earnings on Endowment for Operations	45,039	30,768
	\$ 435,479	\$ 544,405

Permanently restricted net assets consist of the following:

	2018	2017
Campbell Lectureship	\$ 35,578	\$ 35,578
Endowment	362,344	362,344
	\$ 397,922	\$ 397,922

8. Net Assets Released from Restrictions

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

	2018	2017
Feeding and Aiding the Needy and Underprivileged	\$ 86,004	\$ 87,970
Campbell Lecture	5,633	3,498
Operating Expenses	17,840	16,825
Capital Campaign	38,550	24,840
	\$ 148,027	\$ 133,133

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018 and 2017, there were board designated endowment funds of \$4,544 and \$30,268, respectively that are classified and reported as unrestricted net assets.

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, 2018 and 2017 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, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 4,544	\$ -	\$ -	\$ 4,544
Donor-restricted endowment funds	-	84,601	397,922	482,523
	<u>\$ 4,544</u>	<u>\$ 84,601</u>	<u>\$ 397,922</u>	<u>\$ 487,067</u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. Endowment (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>

According to accounting principles generally accepted in the United States of America, 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.

Changes in Endowment Net Assets for the fiscal year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 30,268	\$ 72,191	\$ 397,922	\$ 500,381
Investment return:				
Investment income	595	11,943	-	12,538
Net appreciation, realized and unrealized	1,639	21,549	-	23,188
Total investment return	2,234	33,492	-	35,726
Contributions	-	-	-	-
Realized and unrealized to donor gift basis	-	-	-	-
Appropriation of endowment assets for expenditure	(27,958)	(21,082)	-	(49,040)
Endowment net assets, end of year	<u>\$ 4,544</u>	<u>\$ 84,601</u>	<u>\$ 397,922</u>	<u>\$ 487,067</u>

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>

THE LEHIGH CONFERENCE OF CHURCHES
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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

10. In-Kind Contributions

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

	Year Ended June 30,	
	2018	2017
Food Donations: Soup Kitchen	\$ 97,678	\$ 103,710
Food Donations: Daybreak Program	53,786	45,912
Special Events	67,580	-
Various Equipment and Supplies	5,876	11,003
	\$ 224,920	\$ 160,625

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 \$27,530 and \$25,501 for the years ended June 30, 2018 and 2017, 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 \$0 and \$30,497 for the years ended June 30, 2018 and 2017, 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 \$44,688 and \$39,908 for the years ended June 30, 2018 and 2017, respectively.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

13. Operating Lease (Continued)

Minimum lease payments are as follows:

Year ended June 30,

2019	<u>\$ 3,732</u>
	<u>\$ 3,732</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, 2018 and 2017.

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 \$166,670 at June 30, 2018.

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

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

17. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 30, 2018, the date the financial statements were available to be issued.

On September 26, 2018, the Organization refinanced their \$730,000 note payable (See Note 6) for \$855,000 at a fixed interest rate of 5.50%. Principal and interest payments of \$5,920 are due monthly, to be paid in full September 2023. The note payable is secured by real property and a deposit account that the Organization has with the lender.

The loan matures as follows:

Year Ended June 30,

2019	\$ 18,344
2020	25,664
2021	27,111
2022	28,641
2023	30,256
Thereafter	<u>724,984</u>
	<u><u>\$ 855,000</u></u>

Subsequent to year-end the Organization purchased four real properties for a total of \$296,075. The purchase of three of the four properties totaling \$204,920 was financed by draws on the Organization's open end bank mortgage (see Note 6). The Organization also received three real properties donated at fair market value subsequent to year-end.

18. Summarized Totals for Year Ended June 30, 2017

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, 2017 from which the summarized information was derived.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 58% and 62% of the total support and revenue of the Organization for the years ended June 30, 2018 and 2017, 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.

21. Related Party

As more fully described in Note 6, a member of the board of directors loaned the Organization \$100,000 to purchase real estate. The loan is payable over 60 months and is non interest bearing. The balance on the loan as of June 30, 2018 and 2017 was \$86,667 and \$-0-, respectively.

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, 2018**

	<u>Rate</u>	<u>Units</u>	<u>Total Billing</u>
Individual Units:			
Daybreak	\$ 5.56	26,243	\$ 145,911

See auditor's report on supplementary information.

THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
PROFIT & LOSS BUDGET vs. ACTUAL (UNRESTRICTED)
July 2017 through June 2018

	<u>Jul '17 - Jun 18</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
5000 · Contributions and Gifts	\$ 311,584	\$ 255,551	\$ 56,033	122%
5050 · In Kind Contributions	224,920	170,088	54,832	132%
5100 · Lehigh County Revenues	2,242,512	2,668,091	(425,579)	84%
5125 · Northampton County Reve	396,728	571,326	(174,598)	69%
5200 · City-Allentown Revenues	10,000	10,000	-	100%
5210 · Homelessness Prevention/	97,716	60,000	37,716	163%
5250 · Federal Revenues	1,054,687	1,021,052	33,635	103%
5300 · United Way Revenues	20,000	16,783	3,217	119%
5400 · Special Events Revenues	95,895	20,000	75,895	479%
5500 · Various Grant Revenues	385,662	255,850	129,812	151%
5700 · Program Revenues	300,272	189,896	110,376	158%
5900 · Other Revenues	42,470	47,149	(4,679)	90%
Total Income	<u>5,182,446</u>	<u>5,285,786</u>	<u>(103,340)</u>	<u>98%</u>
Gross Profit	5,182,446	5,285,786	(103,340)	98%
Expense				
6100 · Personnel	1,833,979	1,824,350	9,629	101%
6200 · Travel & Entertainment	16,336	15,768	568	104%
6400 · Telephone	16,362	18,753	(2,391)	87%
6500 · Utility Services	37,348	56,724	(19,376)	66%
6600 · Postage & Delivery	4,619	24,123	(19,504)	19%
6700 · Maintenance & Repairs	32,543	60,080	(27,537)	54%
6800 · Supplies & Program Exp	278,278	234,277	44,001	119%
6821 · Special Events Expenses	69,152	21,117	48,035	327%
6850 · Program Client Financial A	2,497,014	2,509,467	(12,453)	100%
6900 · Rent	83,815	99,631	(15,816)	84%
7000 · Insurance	25,009	37,807	(12,798)	66%
7100 · Equipment	1,190	12,217	(11,027)	10%
7200 · Depreciation	69,238	61,611	7,627	112%
7300 · Professional Services	54,215	109,413	(55,198)	50%
7400 · Other Gen Office Expense	56,433	64,691	(8,258)	87%
7500 · Miscellaneous	6,610	7,220	(610)	92%
7600 · Bad Debt Expenses	4,528	-	4,528	0%
7800 · Dubbs Contingency	-	164,634	(164,634)	0%
8000 · Interest Expense	33,936	-	33,936	0%
Total Expense	<u>5,120,605</u>	<u>5,321,883</u>	<u>(201,278)</u>	<u>96%</u>
Net Ordinary Income	61,841	(36,097)	97,938	-171%
Other Income/Expense				
Other Income				
8100 · Other Income	51,749	40,794	10,955	127%
8300 · Other Gains/Losses	(61,339)	(4,692)	(56,647)	1307%
Total Other Income	<u>(9,590)</u>	<u>36,102</u>	<u>(45,692)</u>	<u>-27%</u>
Net Other Income	(9,590)	36,102	(45,692)	-27%
Net Income	<u>\$ 52,251</u>	<u>\$ 5</u>	<u>\$ 52,246</u>	<u>1045020%</u>

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, 2018**

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 7/1/2017	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2018
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>										
Supportive Housing Program	D	14.235	PA0213L3T091508	09/01/2016-08/31/2017	\$ 97,559	\$ 15,878	\$ -	\$ 15,878	\$ 15,878	\$ -
Supportive Housing Program	D	14.235	PA0213L3T091609	09/01/2017-08-31-2018	97,559	83,339	-	83,339	83,339	-
Supportive Housing Program	D	14.235	PA0222L3T091508	09/01/2016-08/31/2017	214,433	30,078	-	30,078	30,078	-
Supportive Housing Program	D	14.235	PA0222L3T091609	09/01/2017/08/31/2018	214,433	183,676	-	183,676	183,676	-
Supportive Housing Program	D	14.235	PA0583L3T091504	09/01/2016-08/31/2017	280,284	45,861	-	45,861	45,861	-
Supportive Housing Program	D	14.235	PA0583L3T091605	09/01/2017-08/31/2018	280,284	222,081	-	222,081	222,081	-
Supportive Housing Program	D	14.235	PA0658L3T091502	11/01/2016-10/31/2017	190,634	46,657	-	46,657	46,657	-
Supportive Housing Program	D	14.235	PA0658L3T091603	11/01/2017-10/31/2018	190,634	144,303	-	144,303	144,303	-
Supportive Housing Program	D	14.235	PA0669L3T091502	11/01/2016-10/31/2017	176,735	41,775	-	41,775	41,775	-
Supportive Housing Program	D	14.235	PA0669L3T091603	11/01/2017-10/31/2018	176,735	137,411	-	137,411	137,411	-
TOTAL CFDA #14.235						<u>951,059</u>	<u>-</u>	<u>951,059</u>	<u>951,059</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, 2018**

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 7/1/2017	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2018
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	10/01/2017-12/31/2017	\$ 64,098	\$ 50,895	\$ -	\$ 54,908	\$ 54,908	\$ 4,013
Rapid Re-Housing Program	I	14.231	N/A	07/01/2016-06/30/2017	87,811	51,066	8,258	42,808	42,808	-
TOTAL CFDA #14.231						<u>101,961</u>	<u>8,258</u>	<u>97,716</u>	<u>97,716</u>	<u>4,013</u>
Community Development Block Grant	I	14.218	N/A	07/01/2017-06/30/2018	10,000	10,000	-	10,000	10,000	-
TOTAL CFDA #14.218						<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						<u>1,063,020</u>	<u>8,258</u>	<u>1,058,775</u>	<u>1,058,775</u>	<u>4,013</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>										
Emergency Food and Shelter Program	D	97.024	N/A	10/01/2016-01/31/2018	35,655	35,655	-	35,655	35,655	-
TOTAL CFDA # 97.024/TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY						<u>35,655</u>	<u>-</u>	<u>35,655</u>	<u>35,655</u>	<u>-</u>
TOTAL FEDERAL AWARDS						<u>\$ 1,098,675</u>	<u>\$ 8,258</u>	<u>\$ 1,094,430</u>	<u>\$ 1,094,430</u>	<u>\$ 4,013</u>

Source Code

D-Direct Funding
I-Indirect Funding

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, 2018

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, 2018. 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, 2018, 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 November 30, 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

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*.

The Lehigh Conference of Churches' Response to Findings

The Lehigh Conference of Churches' response to the finding identified in our audit is described in the accompanying schedule of findings and questions costs. The Lehigh Conference of Churches' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 & Yucasita LLP

November 30, 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, 2018. 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, 2018.

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

November 30, 2018

**THE LEHIGH CONFERENCE OF CHURCHES
(A Not-for-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiency identified that is not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major programs:

Material weakness identified? yes no

Significant deficiencies identified that are not considered to be material weakness? 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, 2018**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001 Client Rental Payments

Condition: Some rental payments that the Organization receives are received in the form of money orders. It was found that six money orders for rental payments appeared to be intercepted by an employee of the Organization and misappropriated.

Criteria: Internal controls should be in place to provide reasonable assurance that client rental payments are not being misappropriated.

Cause: Internal controls were not in place to prevent employees from misappropriating client rental payment money orders.

Effect: Because some clients struggle to read and write, they relied on the case manager to write out the payee on their monthly rent money order. The case manager, an employee of the Organization, was able to write in their own name as the payee and cash the money order, thus misappropriating the funds.

Views of Responsible Officials and Planned Corrective Actions: During the audit for the fiscal year ended June 30, 2017, management was made aware that differences existed between two activity logs prepared by different Conference employees re: rent received from a client. After an extensive investigation, Management proved that a money order in the amount of \$313.25 had been embezzled by a Case Manager, took immediate action to dismiss this Case Manager, and turned the matter over to law enforcement. Since the client was not adversely affected and no restitution was warranted, Management decided that further investigation should be left in the hands of law enforcement. The matter was also reported by Management to the Conference's Board of Directors. The above-mentioned logs are now reviewed on a monthly basis, and discrepancies, if any, are investigated by a Supervisor. In addition, only supervisors/directors are now allowed to assist illiterate clients in completing money orders when necessary. Although only a small percentage of clients need help to complete a money order and, therefore, any economic exposure to the Conference would likely be minor, Management takes its stewardship seriously as evidenced by their timely actions in this case.

C. FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

- NONE -