

**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 & Yasaita 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><u>Support and Revenue:</u></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><u>Expenses:</u></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	\$ 964,830	\$ 544,405	\$ 397,922	\$ 1,907,157	\$ 1,853,329

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: <ul style="list-style-type: none"> • 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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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.

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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>\$ 48,050</u>	 <u>\$ 72,891</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>\$ 1,467,886</u>	<u>\$ 988,842</u>

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

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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>

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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.

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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.

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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
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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
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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
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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
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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 -