

PROMISE NEIGHBORHOODS  
OF THE LEHIGH VALLEY

FINANCIAL STATEMENTS

June 30, 2018

BUCKNO  
LISICKY   
& COMPANY

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*A Professional Corporation*

Certified Public Accountants | Business Consultants

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

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**June 30, 2018 and 2017**

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Certified Public Accountants | Business Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Promise Neighborhoods of the Lehigh Valley  
Allentown, Pennsylvania

We have audited the accompanying financial statements of Promise Neighborhoods of the Lehigh Valley (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 Promise Neighborhoods of the Lehigh Valley as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Buckno Lisicky & Co PC*

Allentown, Pennsylvania  
May 15, 2019

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY****Statements of Financial Position****June 30, 2018 and 2017****ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 250,524	\$ 230,272
Unconditional promises to give	46,202	49,834
Prepaid expenses	2,415	3,242
Security deposits	-	3,558
<b>TOTAL CURRENT ASSETS</b>	<u>299,141</u>	<u>286,906</u>
<b>PROPERTY AND EQUIPMENT</b>		
Office equipment	9,240	9,240
Less accumulated depreciation	<u>6,454</u>	<u>4,784</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>2,786</u>	<u>4,456</u>
<b>TOTAL ASSETS</b>	<u>\$ 301,927</u>	<u>\$ 291,362</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,095	\$ 716
Accrued payroll and vacation	7,944	4,566
Accrued pension	-	80
<b>TOTAL CURRENT LIABILITIES</b>	<u>12,039</u>	<u>5,362</u>
<b>TOTAL LIABILITIES</b>	<u>12,039</u>	<u>5,362</u>
<b>NET ASSETS</b>		
Unrestricted	199,686	141,000
Temporarily restricted	<u>90,202</u>	<u>145,000</u>
<b>TOTAL NET ASSETS</b>	<u>289,888</u>	<u>286,000</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 301,927</u>	<u>\$ 291,362</u>

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**  
**Statement of Activities**  
**Year Ended June 30, 2018**

	2018		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 24,782	\$ -	\$ 24,782
Grant revenue	114,039	155,756	269,795
In-kind contributions	6,000	-	6,000
	<u>144,821</u>	<u>155,756</u>	<u>300,577</u>
Released from purpose restricted assets	<u>210,554</u>	<u>(210,554)</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>355,375</u>	<u>(54,798)</u>	<u>300,577</u>
<b>EXPENSES</b>			
Program services	221,311	-	221,311
Supporting services:			
Management and general	61,205	-	61,205
Fund raising	14,173	-	14,173
<b>TOTAL EXPENSES</b>	<u>296,689</u>	<u>-</u>	<u>296,689</u>
<b>CHANGE IN NET ASSETS</b>	<b>58,686</b>	<b>(54,798)</b>	<b>3,888</b>
NET ASSETS, beginning	<u>141,000</u>	<u>145,000</u>	<u>286,000</u>
<b>NET ASSETS, ending</b>	<u><b>\$ 199,686</b></u>	<u><b>\$ 90,202</b></u>	<u><b>\$ 289,888</b></u>

See Notes to Financial Statements.

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY****Statement of Activities****Year Ended June 30, 2017**

	2017		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 304,705	\$ -	\$ 304,705
Grant revenue	152,542	145,000	297,542
In-kind contributions	10,299	-	10,299
TOTAL REVENUES AND OTHER SUPPORT	467,546	145,000	612,546
EXPENSES			
Program services	307,885	-	307,885
Supporting services:			
Management and general	59,460	-	59,460
Fund raising	25,246	-	25,246
TOTAL EXPENSES	392,591	-	392,591
CHANGE IN NET ASSETS	74,955	145,000	219,955
NET ASSETS, beginning	66,045	-	66,045
NET ASSETS, ending	\$ 141,000	\$ 145,000	\$ 286,000

See Notes to Financial Statements.

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY****Statement of Activities****Year Ended June 30, 2017**

	<b>2017</b>		
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 304,705	\$ -	\$ 304,705
Grant revenue	152,542	145,000	297,542
In-kind contributions	10,299	-	10,299
TOTAL REVENUES AND OTHER SUPPORT	<u>467,546</u>	<u>145,000</u>	<u>612,546</u>
EXPENSES			
Program services	307,885	-	307,885
Supporting services:			
Management and general	59,460	-	59,460
Fund raising	25,246	-	25,246
TOTAL EXPENSES	<u>392,591</u>	<u>-</u>	<u>392,591</u>
CHANGE IN NET ASSETS	74,955	145,000	219,955
NET ASSETS, beginning	66,045	-	66,045
NET ASSETS, ending	<u>\$ 141,000</u>	<u>\$ 145,000</u>	<u>\$ 286,000</u>

See Notes to Financial Statements.



**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY****Statements of Cash Flow****Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,888	\$ 219,955
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,670	2,205
Bad debt expense	1,015	7,040
(Increase) decrease in assets:		
Unconditional promises to give	2,617	(18,002)
Prepaid expenses	827	1,844
Security deposits	3,558	-
Increase (decrease) in liabilities:		
Accounts payable	3,379	(1,932)
Accrued expenses	-	(630)
Accrued payroll and vacation	3,378	93
Accrued pension	(80)	(13,203)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>20,252</u>	<u>197,370</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(1,353)
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(1,353)</u>
<b>NET INCREASE IN CASH</b>	<b>20,252</b>	<b>196,017</b>
<b>CASH</b>		
Beginning	<u>230,272</u>	<u>34,255</u>
Ending	<u>\$ 250,524</u>	<u>\$ 230,272</u>

See Notes to Financial Statements.

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

**Statement of Functional Expenses**

**Year Ended June 30, 2018**

	2018			
	Supporting Services			Total
	Program Services	Management & General	Fund Raising	
PERSONNEL				
Salaries and wages	\$ 107,138	\$ 16,985	\$ 6,533	\$ 130,656
Employee benefits	17,081	2,708	1,041	20,830
Payroll taxes	9,764	1,548	595	11,907
TOTAL PERSONNEL	<u>133,983</u>	<u>21,241</u>	<u>8,169</u>	<u>163,393</u>
OTHER				
Awards and grants	7,091	-	-	7,091
Bad debt expense	-	1,015	-	1,015
Depreciation	1,503	167	-	1,670
Direct program costs	634	-	-	634
Dues and subscriptions	298	26	-	324
Insurance	5,484	477	-	5,961
Marketing	8,903	-	-	8,903
Meeting expense	3,652	406	-	4,058
Miscellaneous	-	(281)	-	(281)
Office	1,415	157	-	1,572
Postage and printing	3,909	434	-	4,343
Professional services	33,327	35,204	5,960	74,491
Rent expense	17,072	1,897	-	18,969
Temporary help	169	32	44	245
Training and travel	1,068	119	-	1,187
Utilities	2,803	311	-	3,114
TOTAL OTHER	<u>87,328</u>	<u>39,964</u>	<u>6,004</u>	<u>133,296</u>
	<u>\$ 221,311</u>	<u>\$ 61,205</u>	<u>\$ 14,173</u>	<u>\$ 296,689</u>

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

**Statement of Functional Expenses**

**Year Ended June 30, 2017**

	2017			
	Program Services	Supporting Services		Total
		Management & General	Fund Raising	
PERSONNEL				
Salaries and wages	\$ 193,771	\$ 30,720	\$ 11,815	\$ 236,306
Employee benefits	22,602	3,583	1,378	27,563
Payroll taxes	16,349	2,592	997	19,938
TOTAL PERSONNEL	<u>232,722</u>	<u>36,895</u>	<u>14,190</u>	<u>283,807</u>
OTHER				
Bad debt expense	-	7,040	-	7,040
Depreciation	1,985	220	-	2,205
Direct program costs	12,090	-	-	12,090
Dues and subscriptions	298	26	-	324
Grant writing	-	10,000	-	10,000
Insurance	6,170	536	-	6,706
Marketing	12,460	-	-	12,460
Meeting expense	1,215	135	-	1,350
Miscellaneous	-	(17)	-	(17)
Office	1,056	117	-	1,173
Postage and printing	4,240	471	-	4,711
Professional services	6,988	736	10,665	18,389
Rent expense	19,077	2,120	-	21,197
Temporary help	1,501	283	391	2,175
Training and travel	3,002	334	-	3,336
Utilities	5,081	564	-	5,645
TOTAL OTHER	<u>75,163</u>	<u>22,565</u>	<u>11,056</u>	<u>108,784</u>
	<u>\$ 307,885</u>	<u>\$ 59,460</u>	<u>\$ 25,246</u>	<u>\$ 392,591</u>

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## PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY

### Notes to the Financial Statements

June 30, 2018 and 2017

#### NOTE 1. ORGANIZATION AND PURPOSE

Promise Neighborhoods of the Lehigh Valley is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of engaging in neighborhood and community schools improvement and revitalization programs located in the Greater Lehigh Valley of Pennsylvania. Promise Neighborhoods of the Lehigh Valley was formed September, 2013.

United Way of the Greater Lehigh Valley (UWGLV) operated United Way Services, Inc. d/b/a Promise Neighborhoods of the Lehigh Valley which served as the basis and beginnings for the independent entity Promise Neighborhoods of the Lehigh Valley. On January 1, 2015 the Organization commenced independent operations.

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

##### Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in FASB ASC 958-205. The Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

##### Unrestricted Net Assets

Net assets that are not subject to donor imposed stipulations are classified as unrestricted net assets. The Board of Directors can designate a portion of the unrestricted net assets as to its use in current operations. The designated net assets are primarily used for long-term investment purposes.

##### Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time are classified as temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. Contributions for which the restriction expires in the year the funds are received are immediately released from restriction.

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**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

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**Notes to the Financial Statements****June 30, 2018 and 2017****Permanently restricted net assets**

Net assets, subject to permanent donor-imposed stipulations, that neither expire by passage of time nor can be removed by the actions of the Organization are permanently restricted. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

As of June 30, 2018 and 2017, the Organization has no permanently restricted net assets.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Cash**

Cash and cash equivalents, for the purposes of the Statements of Cash Flows, includes short-term, highly liquid financial instruments with original maturities of 90 days or less.

**In-kind Contributions**

A portion of the Organization's functions were conducted by UWGLV. This amount is shown as an in-kind contribution and an increase to the administrative function expense that the Organization would otherwise have to purchase. This administrative support ended during the year ended June 30, 2017.

The Organization also received discounted rental for the years ended June 30, 2018 and 2017. In-kind rental received for the year ended June 30, 2018 and 2017 was \$6,000 and \$6,006, respectively.

Donations of goods are recorded at fair market value at the date of the gift.

**Contributions**

Contributions received are recorded as donations without restrictions or donations with restrictions support depending on the existence and/or nature of any donor restriction. Contributed property and equipment is recorded at fair value at the date of the donation

**Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated

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## **PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

### **Notes to the Financial Statements**

**June 30, 2018 and 2017**

future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

#### **Property and Equipment**

Property and equipment of \$500 or more are recorded at cost, if purchased or at fair market value at date of donation if received by gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years. All expenditures for maintenance and repairs are expensed in the period incurred.

#### **Income Taxes**

The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

The Organization has adopted the provisions of FASB ASC 740-10 related to accounting for uncertainty in income taxes. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings in determining any uncertain tax positions.

The Organization files a Return of Organization Exempt from Income Tax annually.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Date of Management's Review**

The Organization has evaluated subsequent events through May 15, 2019, the date which the financial statements were available to be issued.

### **NOTE 3. PROMISES TO GIVE**

#### Unconditional Promise to Give

Contributions arising from unconditional promises to give consist of the following as of June 30, 2018 and 2017:

## PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY

### Notes to the Financial Statements June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Unrestricted contributions (less than one year)	\$ 49,840	\$ 52,457
Less allowance for pledges receivable	<u>3,638</u>	<u>2,623</u>
	<u>\$ 46,202</u>	<u>\$ 49,834</u>

#### NOTE 4. LEASE COMMITMENTS

The Organization has numerous operating leases for offices and equipment that expire at various dates through June 30, 2019. Rental expense for those leases for the period ended June 30, 2018 and 2017 was \$18,969 and \$21,197, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2018, are:

Year ending <u>June 30,</u>	
2019	\$ 8,601
2020	<u>3,148</u>
	<u>\$ 11,749</u>

#### NOTE 5. REVENUE CONCENTRATION

For the years ended June 30, 2018 and 2017, a substantial portion of the Organization's revenues are provided through support from the United Way. Total revenue for the year ended June 30, 2018 from the United Way was \$150,000, including \$0 of in-kind services and fees. Total revenue for the year ended June 30, 2017 from the United Way was \$204,293, including \$4,293 of in-kind services and fees.

#### NOTE 6. RETIREMENT PLAN

The Organization has a defined contribution retirement plan which covers all employees having one year of service. The Plan provides for participants' pretax contributions to the Plan to limits defined in Section 403 (b) of the Internal Revenue Code. Under the Plan, the Organization was required to make contributions to the Plan in an amount equal to 5% of eligible participants' compensation, which was defined as after one year of service. The plan was amended effective January 1, 2017 to remove the required contribution and provide for a discretionary employer contribution determined annually by the Board of Directors.

## **PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

### **Notes to the Financial Statements**

**June 30, 2018 and 2017**

The Organization's contributions to the Plan were \$0 and \$8,218 for 2018 and 2017, respectively

#### **NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2018 and 2017 consist of donor restricted funds as follows:

	<u>2018</u>	<u>2017</u>
Operational Expenses for Allentown	\$ 25,000	\$ 125,000
ACHIP Program	34,642	-
Neighborhood Surveys	10,560	-
Easton Neighborhood Survey	<u>20,000</u>	<u>20,000</u>
	<u>\$ 90,202</u>	<u>\$ 145,000</u>