

**PROMISE NEIGHBORHOODS  
OF THE LEHIGH VALLEY**

**FINANCIAL STATEMENTS**

**June 30, 2019**

**BUCKNO  
LISICKY**  
**& COMPANY**

**BUCKNOLISICKY.COM**

*A Professional Corporation*

**Certified Public Accountants | Business Consultants**

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

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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, 2019 and 2018, 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, 2019 and 2018, 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  
July 13, 2020

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

**Statements of Financial Position**

**June 30, 2019 and 2018**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 105,606	\$ 250,524
Unconditional promises to give	92,382	46,202
Prepaid expenses	3,011	2,415
<b>TOTAL CURRENT ASSETS</b>	<b>200,999</b>	<b>299,141</b>
<b>PROPERTY AND EQUIPMENT</b>		
Office equipment	9,240	9,240
Less accumulated depreciation	7,884	6,454
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>1,356</b>	<b>2,786</b>
<b>TOTAL ASSETS</b>	<b>\$ 202,355</b>	<b>\$ 301,927</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,234	\$ 4,095
Accrued payroll and vacation	11,043	7,944
<b>TOTAL CURRENT LIABILITIES</b>	<b>16,277</b>	<b>12,039</b>
<b>TOTAL LIABILITIES</b>	<b>16,277</b>	<b>12,039</b>
<b>NET ASSETS</b>		
Without donor restrictions	121,061	199,686
With donor restrictions	65,017	90,202
<b>TOTAL NET ASSETS</b>	<b>186,078</b>	<b>289,888</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 202,355</b>	<b>\$ 301,927</b>

See Notes to Financial Statements.

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY****Statement of Activities  
Year Ended June 30, 2019**

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 27,665	\$ -	\$ 27,665
Grant revenue	2,000	341,011	343,011
Other revenue	1,050	-	1,050
	<u>30,715</u>	<u>341,011</u>	<u>371,726</u>
Released from purpose restricted assets	<u>366,196</u>	<u>(366,196)</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>396,911</u>	<u>(25,185)</u>	<u>371,726</u>
<b>EXPENSES</b>			
Program services	372,064	-	372,064
Supporting services:			
Management and general	86,414	-	86,414
Fund raising	17,058	-	17,058
<b>TOTAL EXPENSES</b>	<u>475,536</u>	<u>-</u>	<u>475,536</u>
<b>CHANGE IN NET ASSETS</b>	<b>(78,625)</b>	<b>(25,185)</b>	<b>(103,810)</b>
NET ASSETS, beginning	<u>199,686</u>	<u>90,202</u>	<u>289,888</u>
<b>NET ASSETS, ending</b>	<u>\$ 121,061</u>	<u>\$ 65,017</u>	<u>\$ 186,078</u>

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

**Statement of Activities  
Year Ended June 30, 2018**

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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>	58,686	(54,798)	3,888
NET ASSETS, beginning	<u>141,000</u>	<u>145,000</u>	<u>286,000</u>
<b>NET ASSETS, ending</b>	<u>\$ 199,686</u>	<u>\$ 90,202</u>	<u>\$ 289,888</u>

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY****Statements of Cash Flow****Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (103,810)	\$ 3,888
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,430	1,670
Bad debt expense	21,730	1,015
(Increase) decrease in assets:		
Unconditional promises to give	(67,910)	2,617
Prepaid expenses	(596)	827
Security deposits	-	3,558
Increase (decrease) in liabilities:		
Accounts payable	1,139	3,379
Accrued payroll and vacation	3,099	3,378
Accrued pension	-	(80)
<b>NET CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>	<u>(144,918)</u>	<u>20,252</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(144,918)</b>	<b>20,252</b>
<b>CASH</b>		
Beginning	<u>250,524</u>	<u>230,272</u>
Ending	<u>\$ 105,606</u>	<u>\$ 250,524</u>



**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

**Statement of Functional Expenses**

**Year Ended June 30, 2019**

	2019			
	Program Services	Supporting Services		Total
		Management & General	Fund Raising	
<b>PERSONNEL</b>				
Salaries and wages	\$ 165,702	\$ 26,270	\$ 10,103	\$ 202,075
Employee benefits	33,283	5,277	2,029	40,589
Payroll taxes	16,510	2,617	1,007	20,134
<b>TOTAL PERSONNEL</b>	<b>215,495</b>	<b>34,164</b>	<b>13,139</b>	<b>262,798</b>
<b>OTHER</b>				
Awards and grants	36,600	-	-	36,600
Bad debt expense	-	21,730	-	21,730
Depreciation	1,287	143	-	1,430
Direct program costs	3,711	-	-	3,711
Dues and subscriptions	-	2,596	-	2,596
Grant writing	-	3,000	-	3,000
Interest expense	-	50	-	50
Insurance	7,133	792	-	7,925
Marketing	23,003	-	-	23,003
Meeting expense	-	3,644	-	3,644
Miscellaneous	-	587	-	587
Office	-	7,235	-	7,235
Postage and printing	3,096	491	189	3,776
Professional services	60,500	9,591	3,689	73,780
Rent expense	16,758	1,862	-	18,620
Training and travel	658	104	41	803
Utilities	3,823	425	-	4,248
<b>TOTAL OTHER</b>	<b>156,569</b>	<b>52,250</b>	<b>3,919</b>	<b>212,738</b>
	<b>\$ 372,064</b>	<b>\$ 86,414</b>	<b>\$ 17,058</b>	<b>\$ 475,536</b>

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

**Statement of Functional Expenses**

**Year Ended June 30, 2018**

	<b>2018</b>			
	<b>Supporting Services</b>			
	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fund Raising</b>	<b>Total</b>
<b>PERSONNEL</b>				
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
<b>TOTAL PERSONNEL</b>	<b>133,983</b>	<b>21,241</b>	<b>8,169</b>	<b>163,393</b>
<b>OTHER</b>				
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
<b>TOTAL OTHER</b>	<b>87,328</b>	<b>39,964</b>	<b>6,004</b>	<b>133,296</b>
	<b>\$ 221,311</b>	<b>\$ 61,205</b>	<b>\$ 14,173</b>	<b>\$ 296,689</b>

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

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

**June 30, 2019 and 2018**

#### **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.

On January 1, 2015, Promise Neighborhoods of the Lehigh Valley began independent operations after the 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 for the entity.

#### **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**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association are classified and reported as follows:

##### Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

##### Net Assets With Donor Restrictions

Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

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

**June 30, 2019 and 2018**

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. See Note 9 for a detail of net assets with donor restrictions.

#### **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.

#### **In-kind Contributions**

The Organization received discounted rental for the years ended June 30, 2019 and 2018. In-kind rental received for the year ended June 30, 2019 and 2018 was \$600 and \$6,000, respectively.

Other in kind donations of goods are recorded at fair market value at the date of the gift receipt.

#### **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 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.

## PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY

### Notes to the Financial Statements

June 30, 2019 and 2018

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. The Organization's returns for 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed

#### Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

The reclassifications associated with the adoption of ASU 2016-14 have had the following effect on net assets at June 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 199,686	\$ -
Temporarily restricted net assets	90,202	-
Net assets without donor restrictions	-	199,686
Net assets with donor restrictions	-	90,202
	<u>\$ 289,888</u>	<u>\$ 289,888</u>

#### Date of Management's Review

The Organization has evaluated subsequent events through July 13, 2020, the date which the financial statements were available to be issued.

#### NOTE 3. LIQUIDITY AND AVAILABILITY

Management and Board of Directors regularly monitors liquidity needed to meet the Organization's operating needs and other commitments. The Organization regularly manages cash resources to maximize any interest earnings and investment return. It also has various sources of liquidity at its disposal, including cash and cash equivalents and certain receivables.

## PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY

### Notes to the Financial Statements

June 30, 2019 and 2018

For the purposes of analyzing short-term liquidity needs, the Organization strives to maintain sufficient liquid financial assets to cover three to six months of operating expenses. In addition to the financial assets available, the agency operates with a balanced budget and anticipates collecting sufficient revenues to cover general operating expenditures.

The breakdown of financial resources as of June 30, 2019 and 2018, available to meet general expenditures within one year of the balance sheet date are listed below:

	<u>2019</u>	<u>2018</u>
Cash	\$ 105,606	\$ 250,524
Unconditional promises to give	92,382	46,202
Less: Contractual or donor-imposed restriction making financial assets unavailable for general expenditure	<u>(65,017)</u>	<u>(90,202)</u>
	<u>\$ 132,971</u>	<u>\$ 206,524</u>

#### NOTE 4. UNCONDITIONAL PROMISES TO GIVE

Contributions arising from unconditional promises to give consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Contributions without donor restrictions	\$ 98,126	\$ 49,840
Less allowance for contributions receivable	<u>5,744</u>	<u>3,638</u>
	<u>\$ 92,382</u>	<u>\$ 46,202</u>

All unconditional promises to give are receivable within one year.

#### NOTE 5. LEASE COMMITMENTS

The Organization has an operating lease for office space that expires December 1, 2023. Rental expense for those lease for the period ended June 30, 2019 and 2018 was \$18,620 and \$18,969, respectively.

Future minimum lease payments under the lease that has a remaining terms in excess of one year as of June 30, 2019 are:

**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

**Notes to the Financial Statements**

**June 30, 2019 and 2018**

Year ending June 30,	
2020	\$ 25,262
2021	26,020
2022	26,801
2023	27,605
2024	11,643
	<u>\$ 117,331</u>

**NOTE 6. CONCENTRATIONS**

*Credit Risk*

The Organization maintains its cash balances in financial institutions that from time to time can exceed the amount insured by the Federal Deposit Insurance Corporation. As of June 30, 2019 and 2018 no losses have been incurred on uninsured balances.

*Revenue*

For the years ended June 30, 2019 and 2018, a substantial portion of the Organization's revenues are provided through support from the a few donors. Total revenue for the year ended June 30, 2019 from the three major donors was \$281,719. Total revenue for the year ended June 30, 2018 from two major donors was \$229,844.

**NOTE 7. 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.

The Organization's contributions to the Plan were \$0 for 2019 and 2018.

## PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY

### Notes to the Financial Statements

June 30, 2019 and 2018

#### NOTE 8. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and related costs, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, which are allocated on the basis of estimates of time and effort.

#### NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018 consist of donor restricted funds as follows:

	Balance			Balance
	July 1, 2018	Additions	Releases	June 30, 2019
<i>Subject to expenditure for a specific purpose.</i>				
Operational expenses	\$ 25,000	\$ 90,000	\$ 115,000	\$ -
ACHIP program	34,642	69,719	70,652	33,709
Easton neighborhood survey	20,000	-	-	20,000
Financial coordinator	-	35,000	35,000	-
Leadership Without Limits	-	75,000	72,000	3,000
Neighborhood surveys	10,560	-	10,000	560
Training Institute	-	10,000	5,000	5,000
United Way - focus groups	-	22,000	19,252	2,748
Zero Youth Violence	-	39,292	39,292	-
	<u>\$ 90,202</u>	<u>\$ 341,011</u>	<u>\$ 366,196</u>	<u>\$ 65,017</u>



**PROMISE NEIGHBORHOODS OF THE LEHIGH VALLEY**

**Notes to the Financial Statements  
June 30, 2019 and 2018**

	Balance July 1, 2017	Additions	Releases	Balance June 30, 2018
<i>Subject to expenditure for a specific purpose.</i>				
Operational expenses	\$ 40,000	\$ 25,000	\$ 40,000	\$ 25,000
ACHIP program	-	68,924	34,282	34,642
Easton neighborhood survey	20,000	-	-	20,000
Financial coordinator	60,000	-	60,000	-
Gun Violence Summit	-	300	300	-
Kindergarten Readiness Program	-	39,000	39,000	-
Leadership Without Limits	-	1,000	1,000	-
Neighborhood Leadership Academy	25,000	2,000	27,000	-
Neighborhood surveys	-	10,560	-	10,560
Outreach	-	4,972	4,972	-
West Ward Outreach	-	4,000	4,000	-
	<u>\$ 145,000</u>	<u>\$ 155,756</u>	<u>\$ 210,554</u>	<u>\$ 90,202</u>

**NOTE 10. SUBSEQUENT EVENT**

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's revenue, absenteeism in the Organization's labor workforce, unavailability of products and supplies used in operations.

On May 7, 2020, the Organization received loan proceeds in the amount of \$47,513 under the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loans and accrued interest are forgivable after a minimum of eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP and currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. It is, at least, reasonably possible that this belief could change in the near term and cause the Organization to be ineligible for forgiveness of the loan, in whole or part.