

**The Operating Units of
The Salvation Army -
Lehigh Valley Area Services**

Combined Financial Statements
and Supplementary Information

September 30, 2018 and 2017

The Operating Units of The Salvation Army - Lehigh Valley Area Services

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Independent Auditors' Report

Command Finance Council
The Salvation Army Eastern Pennsylvania and Delaware Division
Philadelphia, Pennsylvania

Report on the Combined Financial Statement

We have audited the accompanying combined statement of financial position - operating fund (the "combined financial statement") of the Operating Units of The Salvation Army - Lehigh Valley Area Services (the "Operating Units") as of September 30, 2018 and 2017, and the related notes to the combined financial statement.

Management's Responsibility for the Combined Financial Statement

Management is responsible for the preparation and fair presentation of this combined financial statement in accordance with the operating account basis of accounting presentation prescribed by The Salvation Army. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this combined financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statement, 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 combined financial statement 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 combined financial statement.

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 combined statement of financial position - operating fund referred to above presents fairly, in all material respects, the financial position of the Operating Units as of September 30, 2018 and 2017, in accordance with the operating account basis of accounting presentation prescribed by The Salvation Army described in Note 3.

Basis of Accounting

We draw attention to Note 3 of the combined financial statements, which describes the basis of accounting. The combined financial statements are prepared by the Operating Units on operating account basis of accounting presentation prescribed by The Salvation Army, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Disclaimer of Opinion on the Combined Statements of Activities, Cash Flows, and Functional Expenses - Operating Fund

Because we were not engaged to audit the combined statements of activities - operating fund, cash flows - operating fund, and functional expenses - operating fund, we did not extend our auditing procedures to enable us to express an opinion on the changes in net assets, cash flows, and functional expenses for the years ended September 30, 2018 and 2017. Accordingly, we express no opinion on the changes in net assets, cash flows, and functional expenses for the years ended September 30, 2018 and 2017.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined statement of financial position as a whole. The accompanying supplementary information on pages 13 to 22 is presented for purposes of additional analysis, and is not a required part of the combined statement of financial position. Such information has not been subjected to the auditing procedures applied in the audits of the combined statement of financial position, and, accordingly, we do not express an opinion on the supplementary information referred to above.

Restriction on Use

Our report is intended solely for the information and use of management and Advisory Boards of The Salvation Army and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Allentown, Pennsylvania
February 20, 2019

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combined Statement of Financial Position - Operating Fund

September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 403,382	\$ 265,594
Accounts Receivable	90,048	176,742
Total assets	<u>\$ 493,430</u>	<u>\$ 442,336</u>
Liabilities and Unrestricted Net Deficit		
Accounts Payable		
Due to related parties	\$ 1,255,320	\$ 1,032,987
Other vendors	22,116	25,613
Total accounts payable	<u>1,277,436</u>	<u>1,058,600</u>
Accrued Expenses	<u>34,084</u>	<u>51,693</u>
Deferred Revenue		
Restricted contributions	80,000	25,000
Funds received in advance	116,024	106,619
Total deferred revenue	<u>196,024</u>	<u>131,619</u>
Total liabilities	1,507,544	1,241,912
Unrestricted Net Deficit	<u>(1,014,114)</u>	<u>(799,576)</u>
Total liabilities and unrestricted net deficit	<u>\$ 493,430</u>	<u>\$ 442,336</u>

See notes to combined financial statements

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combined Statement of Activities - Operating Fund (Unaudited)

For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Contributions	\$ 1,606,987	\$ 1,510,411
Donations in kind	1,538,495	1,324,088
Public funds:		
Federal	162,287	160,121
State	16,486	18,980
Local	138,041	123,637
Allocations from United Way of the Greater Lehigh Valley	157,934	164,440
Transfers from DHQ including interest and dividends from investments	10,015	77,910
Program fees	21,432	12,804
Special fund raising	45,186	96,881
World services	11,494	10,594
Contributions from affiliated organizations	133,858	64,611
Miscellaneous	-	170
	<u>3,842,215</u>	<u>3,564,647</u>
Expenses		
Program	3,434,445	3,108,020
Management and general	584,164	459,656
Fund raising	246,288	271,042
	<u>4,264,897</u>	<u>3,838,718</u>
Change in net deficit from operations	(422,682)	(274,071)
Transfers from Reserves		
	<u>208,144</u>	<u>349,091</u>
Change in unrestricted net deficit	(214,538)	75,020
Unrestricted Net Deficit, Beginning	<u>(799,576)</u>	<u>(874,596)</u>
Unrestricted Net Deficit, Ending	<u>\$ (1,014,114)</u>	<u>\$ (799,576)</u>

See notes to combined financial statements

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combined Statement of Cash Flows - Operating Fund (Unaudited)

For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Cash received from donors and other funding sources	\$ 2,667,806	\$ 2,502,613
Cash paid to suppliers and individuals in need	(1,210,224)	(1,323,183)
Cash paid to employees for salaries and benefits	(1,329,809)	(1,166,689)
Transfers received from DHQ for interest earned	10,015	22,910
	<u>137,788</u>	<u>35,651</u>
Net cash provided by operating activities	137,788	35,651
Cash, Beginning of Year	<u>265,594</u>	<u>229,943</u>
Cash, End of Year	<u>\$ 403,382</u>	<u>\$ 265,594</u>
Reconciliation of Change in Unrestricted Net Deficit to Cash Flows Provided by Operating Activities		
Change in unrestricted net deficit	\$ (214,538)	\$ 75,020
Adjustments to reconcile change in unrestricted net deficit to cash flows provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	86,694	(67,910)
Increase (decrease) in:		
Accounts payable	218,836	8,985
Accrued expenses	(17,609)	15,773
Deferred revenue	64,405	3,783
	<u>352,326</u>	<u>(39,369)</u>
Total adjustments	352,326	(39,369)
Net cash provided by operating activities	<u>\$ 137,788</u>	<u>\$ 35,651</u>

See notes to combined financial statements

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combined Statement of Functional Expenses - Operating Fund (Unaudited)

For the Years Ended September 30, 2018 and 2017

	Program		Management and General		Fundraising		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits	\$ 869,373	\$ 882,168	\$ 270,335	\$ 132,894	\$ 172,492	\$ 167,399	\$ 1,312,200	\$ 1,182,461
Financial assistance	1,700,679	1,440,948	-	500	-	-	1,700,679	1,441,448
Occupancy	291,585	242,914	47,537	44,809	17,087	12,944	356,209	300,667
Support services	51,533	52,182	162,049	175,012	6,107	22,149	219,689	249,343
Printing	97,154	74,244	11,749	9,976	7,079	17,902	115,982	102,122
Travel	63,287	47,445	9,572	20,200	14,021	9,319	86,880	76,964
Supplies	56,165	55,925	13,446	15,944	5,268	8,774	74,879	80,643
Payroll taxes	50,943	55,335	8,925	10,613	6,179	6,255	66,047	72,203
Professional fees	92,312	109,990	18,696	15,921	7,078	10,739	118,086	136,650
World services	48,223	44,877	7,057	6,568	3,529	3,283	58,809	54,728
Postage and shipping	30,704	27,336	4,478	4,584	2,267	6,071	37,449	37,991
Repairs and maintenance, equipment	38,796	36,102	7,502	7,848	1,966	3,655	48,264	47,605
Telephone	24,094	24,601	5,005	5,961	1,691	1,499	30,790	32,061
Conferences and meetings	12,273	10,518	13,207	7,336	895	708	26,375	18,562
Miscellaneous	7,324	3,435	4,606	1,490	629	345	12,559	5,270
Total expenses	<u>\$ 3,434,445</u>	<u>\$ 3,108,020</u>	<u>\$ 584,164</u>	<u>\$ 459,656</u>	<u>\$ 246,288</u>	<u>\$ 271,042</u>	<u>\$ 4,264,897</u>	<u>\$ 3,838,718</u>

See notes to combined financial statements

The Operating Units of The Salvation Army - Lehigh Valley Area Services

Notes to Combined Financial Statements

September 30, 2018 and 2017

1. Purpose and Organization

The Salvation Army, founded in 1865, is a not-for-profit international religious organization and charitable movement organized and operated on a quasi-military pattern and is a branch of the Christian Church. Its membership includes officers ("clergy"), soldiers and adherents ("laity"), members of varied activity groups and volunteers who serve as advisors, associates and committed participants in its service functions.

The Salvation Army is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is exempt from state income taxes under related state provisions.

The accompanying combined financial statements are summaries of the financial position, results of operations, net asset classifications and sources and applications of cash of the Allentown, Bethlehem, Easton, Pen Argyl Corps, Lehigh Valley Area Services regional office and the Richard Fleming Family Hope Center (collectively, the "Operating Units") of the Eastern Pennsylvania and Delaware Division of the Eastern Territory of The Salvation Army.

The Operating Units operate a variety of programs including corps community centers that provide spiritual, education and recreational services; homeless and emergency shelters; senior citizens' residences, children's homes, and children's day care centers; emergency disaster services; assistance for the poor, disabled and retired; jail and hospital visitation; and camping activities.

2. Significant Accounting Policies

General - Basis of Presentation

The accompanying combined financial statements have been prepared in accordance with the national accounting policies of The Salvation Army. These policies are similar to accounting principles generally accepted in the United States of America ("U.S. GAAP").

In order to observe restrictions which donors place on grants and other gifts, as well as designations made by the Board of Trustees/Directors, all assets, liabilities, and support and revenues are accounted for in the following net asset classifications:

Unrestricted Net Assets - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Trustees/Directors.

Temporarily Restricted Net Assets - subject to donor-imposed stipulations that may be fulfilled by actions of The Salvation Army to meet the stipulations or become unrestricted at the date specified by the donor.

The Operating Units of The Salvation Army - Lehigh Valley Area Services

Notes to Combined Financial Statements

September 30, 2018 and 2017

Cash and Cash Equivalents

For the purposes of these statements, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and having original maturities of three months or less.

Support and Revenue

All items of support and revenue are stated on the accrual basis.

Contributions subject to donor-imposed restrictions are recorded as temporarily restricted support and are reclassified as unrestricted when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed. Contributions with restrictions that are met during the fiscal year are recorded as unrestricted support. Support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions that are not fulfilled in the accounting period. All expenses are reported as decreases in unrestricted net assets. The expiration of the donor-imposed stipulated purpose or the elapsing of the specified time period are reported as reclassifications of net assets.

Pledges receivable that are scheduled to be received after the end of the reporting period are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restriction is met.

Donations-In-Kind and Contributed Services

Material donations-in-kind items used in The Salvation Army Corps and Unit programs and services (e.g., vehicles, free rent, equipment, etc.) and donated goods distributed (clothing, furniture, foodstuffs, etc.) are recorded at their estimated fair value as income and expense at the time the items are placed into service or distributed.

Goods donated for sale in Salvation Army Adult rehabilitation centers and thrift stores are recorded as contributions and processed as donations in-kind on the basis of a percentage of sales income determined by appraisal studies.

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets, or would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. In addition, the appropriate value of donated services of individuals is recorded as an expense when such services qualify for cost reimbursement from third-party providers.

Expenses

All expenses are stated on the accrual basis and presented in the Combined Statement of Activities and the Combined Statements of Functional Expenses.

The Operating Units of The Salvation Army - Lehigh Valley Area Services

Notes to Combined Financial Statements

September 30, 2018 and 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Cost-reimbursement grant programs are subject to independent audit under the Office of Management and Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and review by grantor agencies. These audits and reviews could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, management believes that any costs ultimately disallowed would not materially affect The Salvation Army's financial position.

3. Operating Account Presentation

The Operating Units prepare their combined financial statements using guidance of The Salvation Army for operating account-only presentation, which is not a complete presentation of the Operating Units' assets and liabilities. Accounting principles generally accepted in the United States of America require the Operating Units to include, among other things, all net assets. The combined financial statements do not include reserve and trust accounts held by Divisional Headquarters ("DHQ") or Territorial Headquarters ("THQ"), investments, or long-lived assets. The effects on the financial statements of the preceding practice are not readily determinable.

Amounts included in disclosures relating directly to the combined statements of activities, functional expenses, and cash flows have not been audited.

4. Accounts Receivable

Accounts receivable, primarily consisting of amounts owed from federal, state and local grant agencies, are reported at their net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated by management based upon a periodic review of individual accounts. No allowance for doubtful accounts was necessary as of September 30, 2018 and 2017.

5. Deferred Revenue

The Salvation Army records any grant proceeds or contributions received in advance of their intended use as deferred revenue, which is in accordance with the national accounting policies of The Salvation Army, but not in accordance with U.S. GAAP.

The Operating Units of The Salvation Army - Lehigh Valley Area Services

Notes to Combined Financial Statements

September 30, 2018 and 2017

6. Pension, Retirement and Postretirement Benefit Plans

Employee Pension Plan

Eligible employees participate in The Salvation Army Pension Plan (the "Plan") with other Salvation Army territories, which provides for death, disability and retirement benefits. The Employee Pension Plan is a defined contribution, money purchase plan.

Annual contributions to the Plan are based on a stipulated percentage of 5.25% in 2018 and 2017, of employees' salaries. The Operating Units incurred \$22,478 and \$21,675 of expense under this Plan in fiscal 2018 and 2017, respectively, which is included in salaries and benefits in the Combined Statement of Functional Expenses.

Officers' Retirement Provision

The Salvation Army has a noncontributory retirement provision for Officers, which provides retirement benefits and certain healthcare and death benefits to retired officers, as defined by The Salvation Army policy governing such benefits. The corporate headquarters has total responsibility for the administration of retirement benefits. Retirement allowances are determined based upon active officer allowances and length of service. Provision for these benefits is made principally by annual assessments to all centers of operation, by designated portions of legacy income, by earnings on assets designated for retirement benefits, and by special appropriations. Amounts charged to the units for this provision were \$42,216 and \$38,160 in fiscal 2018 and 2017, respectively, which is included in salaries and benefits in the Combined Statement of Functional Expenses.

7. Related Party Transactions

At times, the Operating Units are reliant on DHQ for financial support to fund continued operations. At September 30, 2018 and 2017, the Operating Units have accounts payable to DHQ and other related parties of \$1,255,320 and \$1,032,987, respectively. These amounts have no defined repayment terms, and will be repaid as cash from operations becomes available.

During 2018 and 2017, several of the Operating Units requested and were granted permission to use \$208,144 and \$349,091, respectively, in reserve funds held at DHQ and THQ to satisfy obligations owed to DHQ. These amounts were held in the name of the respective Operating Units and were not restricted for a specific purpose.

In addition, the Operating Units have accounts receivable from DHQ of \$36,444 and \$131,247 at September 30, 2018 and 2017, respectively.

The Operating Units are assessed an administrative charge by The Salvation Army Eastern Pennsylvania and Delaware Divisional Headquarters and the Eastern Territorial Headquarters for support services provided. Support services provided by Divisional and Territorial Headquarters include program, personnel, business, and social services. Expenses reflected for these services were \$214,338 in 2018 and \$246,830 in 2017.

The Operating Units of The Salvation Army - Lehigh Valley Area Services

Notes to Combined Financial Statements

September 30, 2018 and 2017

The Salvation Army provides certain health care and death benefits for active Salvation Army officers and Auxiliary-Captains through Officers' and Auxiliary-Captain's Sick Benefit and Burial Funds, as defined by the national Salvation Army policy. All active Salvation Army officers and Auxiliary-Captains and their eligible dependents are eligible for these benefits. Amounts charged to the Operating Units and included in expenses for this provision were \$122,129 and \$111,112 in fiscal years 2018 and 2017, respectively.

Employees of The Salvation Army are provided health benefits under a self-insured program, which is administered by a third-party claims administrator. Amounts charged to the Operating Units and included in expenses were \$116,445 and \$90,980 in fiscal years 2018 and 2017, respectively.

The Salvation Army maintains self-insurance programs for general liability, automobile, workers compensation and property coverage. The programs, which are administered by the Eastern Territorial Headquarters, are intended to provide coverage for claims arising in all centers of operation. Amounts charged to the Operating Units and included in expenses were \$93,124 and \$89,156 in fiscal years 2018 and 2017, respectively.

8. Income Tax Position

The Operating Units have evaluated their tax positions and determined that there are no uncertain tax positions that meet the criteria under Accounting Standards Codification Topic 740, *Income Taxes*.

9. Contingencies and Commitments - Litigation

The Operating Units are not involved in any litigation which is expected to have a material effect upon the financial position or the results of operations of the Operating Units.

10. Concentration of Credit Risk

The Operating Units maintain cash balances which may, at times, exceed federally insured limits. Historically, they have not experienced any credit-related losses.

The Operating Units of The Salvation Army - Lehigh Valley Area Services

Notes to Combined Financial Statements

September 30, 2018 and 2017

11. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The guidance permits the use of either a retrospective or cumulative effect transition method. Management of the Operating Units is currently evaluating the new guidance and has not determined the impact this standard may have on the combined financial statements, nor decided upon the method of adoption.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Management of the Operating Units is in the process of evaluating the impact this standard will have on the combined financial statements.

12. Subsequent Events

The Operating Units have evaluated all subsequent events through February 20, 2019, the date the financial statements were available to be issued.

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combining Schedule of Financial Position - Operating Fund (Unaudited)

September 30, 2018 and 2017

	Allentown Corps Operating Fund		Bethlehem Corps Operating Fund		Easton Corps Operating Fund		Pen Argyl Corps Operating Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets								
Cash	\$ 90,369	\$ 22,855	\$ 28,346	\$ 14,740	\$ 31,917	\$ 10,042	\$ 12,051	\$ 27,449
Accounts Receivable	24,877	20,136	3,689	52,558	4,071	67,288	2,077	4,882
Total assets	<u>\$ 115,246</u>	<u>\$ 42,991</u>	<u>\$ 32,035</u>	<u>\$ 67,298</u>	<u>\$ 35,988</u>	<u>\$ 77,330</u>	<u>\$ 14,128</u>	<u>\$ 32,331</u>
Liabilities and Net Assets (Deficit)								
Accounts Payable								
Due to related parties	\$ 448,400	\$ 372,846	\$ 20,208	\$ 13,601	\$ 239,437	\$ 246,101	\$ 33,101	\$ 8,821
Other vendors	8,443	4,117	4,896	5,046	3,160	4,924	2,633	1,015
Total accounts payable	456,843	376,963	25,104	18,647	242,597	251,025	35,734	9,836
Accrued Expenses	6,071	8,722	5,169	9,437	1,283	8,212	536	1,707
Deferred Revenue								
Restricted contributions	-	-	-	-	-	-	-	-
Funds received in advance	9,622	6,032	-	-	6,402	2,087	-	-
Total deferred revenue	9,622	6,032	-	-	6,402	2,087	-	-
Total liabilities	472,536	391,717	30,273	28,084	250,282	261,324	36,270	11,543
Net Assets (Deficit)								
Unrestricted	(357,290)	(348,726)	1,762	39,214	(214,294)	(183,994)	(22,142)	20,788
Total liabilities and net assets (deficit)	<u>\$ 115,246</u>	<u>\$ 42,991</u>	<u>\$ 32,035</u>	<u>\$ 67,298</u>	<u>\$ 35,988</u>	<u>\$ 77,330</u>	<u>\$ 14,128</u>	<u>\$ 32,331</u>

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combining Schedule of Financial Position - Operating Fund (Unaudited)

September 30, 2018 and 2017

	Richard Fleming Family Hope Center		Lehigh Valley Area Services Regional Office		Eliminations		Combined Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets								
Cash	\$ 47,391	\$ 30,971	\$ 193,308	\$ 159,537	\$ -	\$ -	\$ 403,382	\$ 265,594
Accounts Receivable	37,345	43,130	44,115	29,732	(26,126)	(40,984)	90,048	176,742
Total assets	<u>\$ 84,736</u>	<u>\$ 74,101</u>	<u>\$ 237,423</u>	<u>\$ 189,269</u>	<u>\$ (26,126)</u>	<u>\$ (40,984)</u>	<u>\$ 493,430</u>	<u>\$ 442,336</u>
Liabilities and Net Assets (Deficit)								
Accounts Payable								
Due to related parties	\$ 434,816	\$ 363,043	\$ 105,484	\$ 69,559	\$ (26,126)	\$ (40,984)	\$ 1,255,320	\$ 1,032,987
Other vendors	2,790	4,075	194	6,436	-	-	22,116	25,613
Total accounts payable	437,606	367,118	105,678	75,995	(26,126)	(40,984)	1,277,436	1,058,600
Accrued Expenses	10,602	14,860	10,423	8,755	-	-	34,084	51,693
Deferred Revenue								
Restricted contributions	-	-	80,000	25,000	-	-	80,000	25,000
Funds received in advance	-	-	100,000	98,500	-	-	116,024	106,619
Total deferred revenue	-	-	180,000	123,500	-	-	196,024	131,619
Total liabilities	448,208	381,978	296,101	208,250	(26,126)	(40,984)	1,507,544	1,241,912
Net Assets (Deficit)								
Unrestricted	(363,472)	(307,877)	(58,678)	(18,981)	-	-	(1,014,114)	(799,576)
Total liabilities and net assets (deficit)	<u>\$ 84,736</u>	<u>\$ 74,101</u>	<u>\$ 237,423</u>	<u>\$ 189,269</u>	<u>\$ (26,126)</u>	<u>\$ (40,984)</u>	<u>\$ 493,430</u>	<u>\$ 442,336</u>

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combining Schedule of Activities - Operating Fund (Unaudited)

For the Years Ended September 30, 2018 and 2017

	Allentown Corps Operating Fund		Bethlehem Corps Operating Fund		Easton Corps Operating Fund		Pen Argyl Operating Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues								
Contributions	\$ 548,573	\$ 483,552	\$ 381,447	\$ 393,926	\$ 219,201	\$ 210,279	\$ 117,799	\$ 115,507
Donations in kind	417,867	207,088	531,723	466,330	388,411	448,561	72,542	75,848
Public funds:								
Federal	-	-	-	-	-	3,413	-	2,000
State	8,177	7,355	-	-	-	-	-	-
Local	30,861	9,524	4,344	7,366	7,379	-	2,490	20,000
Allocations from United Way of the Greater Lehigh Valley	23,892	25,372	21,867	25,308	17,483	23,243	15,753	14,124
Transfers from DHQ including interest and dividends from investments	5,863	8,214	4,115	3,763	37	57,061	-	8,872
Program fees	4,323	3,390	6,390	939	2,145	3,539	50	120
Special fund raising	2,411	825	3,972	3,773	979	1,932	399	88
World services	370	391	9,521	8,791	1,352	1,067	251	345
Contributions from affiliated organizations	8,616	8,878	5,500	23,733	-	1,500	5,526	30,500
Miscellaneous	-	170	-	-	-	-	-	-
Total revenues	1,050,953	754,759	968,879	933,929	636,987	750,595	214,810	267,404
Expenses								
Program	932,075	667,673	949,410	849,048	600,486	672,258	216,601	235,718
Management and general	134,803	122,153	96,710	99,240	53,050	62,953	32,111	51,397
Fundraising	34,296	32,431	26,531	24,274	14,251	15,744	9,028	9,883
Total expenses	1,101,174	822,257	1,072,651	972,562	667,787	750,955	257,740	296,998
Change in net deficit from operations	(50,221)	(67,498)	(103,772)	(38,633)	(30,800)	(360)	(42,930)	(29,594)
Transfers from Reserves	41,657	12,949	66,320	47,537	500	21,362	-	126,536
Change in unrestricted net deficit	(8,564)	(54,549)	(37,452)	8,904	(30,300)	21,002	(42,930)	96,942
Unrestricted Net Assets (Deficit), Beginning	(348,726)	(294,177)	39,214	30,310	(183,994)	(204,996)	20,788	(76,154)
Unrestricted Net Assets (Deficit), Ending	\$ (357,290)	\$ (348,726)	\$ 1,762	\$ 39,214	\$ (214,294)	\$ (183,994)	\$ (22,142)	\$ 20,788

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combining Schedule of Activities - Operating Fund (Unaudited)

For the Years Ended September 30, 2018 and 2017

	Richard Fleming Family Hope Center		Lehigh Valley Area Services Regional Office		Combined Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Contributions	\$ 184,690	\$ 217,625	\$ 155,277	\$ 89,522	\$ 1,606,987	\$ 1,510,411
Donations in kind	117,146	125,761	10,806	500	1,538,495	1,324,088
Public funds:						
Federal	162,287	154,708	-	-	162,287	160,121
State	8,309	11,625	-	-	16,486	18,980
Local	92,967	86,747	-	-	138,041	123,637
Allocations from United Way of the Greater Lehigh Valley	49,473	49,181	29,466	27,212	157,934	164,440
Transfers from DHQ including interest and dividends from investments	-	-	-	-	10,015	77,910
Program fees	8,524	4,816	-	-	21,432	12,804
Special fund raising	-	-	37,425	90,263	45,186	96,881
World services	-	-	-	-	11,494	10,594
Contributions from affiliated organizations	-	-	114,216	-	133,858	64,611
Miscellaneous	-	-	-	-	-	170
Total revenues	623,396	650,463	347,190	207,497	3,842,215	3,564,647
Expenses						
Program	717,547	683,323	18,326	-	3,434,445	3,108,020
Management and general	-	-	267,490	123,913	584,164	459,656
Fundraising	-	-	162,182	188,710	246,288	271,042
Total expenses	717,547	683,323	447,998	312,623	4,264,897	3,838,718
Change in net deficit from operations	(94,151)	(32,860)	(100,808)	(105,126)	(422,682)	(274,071)
Transfers from Reserves	38,556	-	61,111	140,707	208,144	349,091
Change in unrestricted net deficit	(55,595)	(32,860)	(39,697)	35,581	(214,538)	75,020
Unrestricted Net Deficit, Beginning	(307,877)	(275,017)	(18,981)	(54,562)	(799,576)	(874,596)
Unrestricted Net Deficit, Ending	\$ (363,472)	\$ (307,877)	\$ (58,678)	\$ (18,981)	\$ (1,014,114)	\$ (799,576)

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combining Schedule of Functional Expenses - Allentown Corps Operating Fund (Unaudited)
For the Years Ended September 30, 2018 and 2017

	Program		Management and General		Fundraising		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits	\$ 228,415	\$ 229,643	\$ 33,427	\$ 33,606	\$ 16,713	\$ 16,803	\$ 278,555	\$ 280,052
Financial assistance	463,349	224,458	-	-	-	-	463,349	224,458
Occupancy	79,355	64,014	11,613	9,368	5,806	4,684	96,774	78,066
Support services	-	-	66,208	57,292	-	-	66,208	57,292
Printing	29,212	22,490	4,275	3,291	2,137	1,646	35,624	27,427
Travel	19,893	14,410	2,911	2,109	1,456	1,054	24,260	17,573
Supplies	17,208	12,869	2,518	1,883	1,259	942	20,985	15,694
Payroll taxes	13,494	14,206	1,975	2,079	987	1,039	16,456	17,324
Professional fees	32,205	37,426	4,713	5,477	2,356	2,739	39,274	45,642
World services	24,529	23,674	3,590	3,465	1,795	1,732	29,914	28,871
Postage and shipping	9,972	9,020	1,459	1,320	730	660	12,161	11,000
Repairs and maintenance, equipment	3,576	3,698	523	541	262	271	4,361	4,510
Telephone	7,209	9,487	1,055	1,388	527	694	8,791	11,569
Conferences and meetings	1,393	1,474	204	216	102	108	1,699	1,798
Miscellaneous	2,265	804	332	118	166	59	2,763	981
Total expenses	<u>\$ 932,075</u>	<u>\$ 667,673</u>	<u>\$ 134,803</u>	<u>\$ 122,153</u>	<u>\$ 34,296</u>	<u>\$ 32,431</u>	<u>\$ 1,101,174</u>	<u>\$ 822,257</u>

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combining Schedule of Functional Expenses - Bethlehem Corps Operating Fund (Unaudited)

For the Years Ended September 30, 2018 and 2017

	Program		Management and General		Fundraising		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits	\$ 154,620	\$ 144,470	\$ 22,627	\$ 21,142	\$ 11,314	\$ 10,571	\$ 188,561	\$ 176,183
Financial assistance	586,806	517,293	-	-	-	-	586,806	517,293
Occupancy	69,306	52,136	10,142	7,630	5,071	3,815	84,519	63,581
Support services	-	-	43,647	50,689	-	-	43,647	50,689
Printing	22,543	17,058	3,299	2,496	1,649	1,248	27,491	20,802
Travel	20,232	15,448	2,961	2,261	1,480	1,130	24,673	18,839
Supplies	23,678	26,774	3,465	3,918	1,733	1,959	28,876	32,651
Payroll taxes	6,442	7,255	943	1,062	471	531	7,856	8,848
Professional fees	28,059	29,847	4,106	4,368	2,053	2,184	34,218	36,399
World services	9,471	7,974	1,386	1,167	693	583	11,550	9,724
Postage and shipping	7,094	6,284	1,038	920	519	460	8,651	7,664
Repairs and maintenance, equipment	8,664	16,856	1,268	2,467	634	1,233	10,566	20,556
Telephone	2,666	2,284	390	334	195	167	3,251	2,785
Conferences and meetings	7,300	4,853	1,068	710	534	355	8,902	5,918
Miscellaneous	2,529	516	370	76	185	38	3,084	630
Total expenses	<u>\$ 949,410</u>	<u>\$ 849,048</u>	<u>\$ 96,710</u>	<u>\$ 99,240</u>	<u>\$ 26,531</u>	<u>\$ 24,274</u>	<u>\$ 1,072,651</u>	<u>\$ 972,562</u>

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combining Schedule of Functional Expenses - Easton Corps Operating Fund (Unaudited)

For the Years Ended September 30, 2018 and 2017

	Program		Management and General		Fundraising		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits	\$ 79,991	\$ 105,659	\$ 11,706	\$ 15,462	\$ 5,853	\$ 7,731	\$ 97,550	\$ 128,852
Financial assistance	405,717	457,100	-	-	-	-	405,717	457,100
Occupancy	40,260	37,681	5,892	5,514	2,946	2,757	49,098	45,952
Support services	-	-	24,550	31,466	-	-	24,550	31,466
Printing	14,251	10,740	2,085	1,572	1,043	786	17,379	13,098
Travel	16,716	13,623	2,446	1,994	1,223	997	20,385	16,614
Supplies	1,110	1,862	162	273	81	136	1,353	2,271
Payroll taxes	2,078	3,843	304	562	152	281	2,534	4,686
Professional fees	15,938	17,696	2,332	2,590	1,166	1,295	19,436	21,581
World services	9,117	9,282	1,334	1,358	667	679	11,118	11,319
Postage and shipping	4,083	3,606	597	528	299	264	4,979	4,398
Repairs and maintenance, equipment	2,639	2,961	386	433	193	217	3,218	3,611
Telephone	5,176	4,893	757	716	379	358	6,312	5,967
Conferences and meetings	2,369	2,499	347	366	173	183	2,889	3,048
Miscellaneous	1,041	813	152	119	76	60	1,269	992
Total expenses	<u>\$ 600,486</u>	<u>\$ 672,258</u>	<u>\$ 53,050</u>	<u>\$ 62,953</u>	<u>\$ 14,251</u>	<u>\$ 15,744</u>	<u>\$ 667,787</u>	<u>\$ 750,955</u>

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combining Schedule of Functional Expenses - Pen Argyl Corps Operating Fund (Unaudited)
For the Years Ended September 30, 2018 and 2017

	Program		Management and General		Fundraising		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits	\$ 45,424	\$ 56,303	\$ 6,647	\$ 8,239	\$ 3,324	\$ 4,120	\$ 55,395	\$ 68,662
Financial assistance	93,217	100,629	-	-	-	-	93,217	100,629
Occupancy	22,841	23,075	3,343	3,377	1,671	1,688	27,855	28,140
Support services	-	-	14,054	31,628	-	-	14,054	31,628
Printing	12,576	10,430	1,840	1,526	920	763	15,336	12,719
Travel	5,923	3,786	867	554	433	277	7,223	4,617
Supplies	7,274	7,972	1,065	1,167	532	583	8,871	9,722
Payroll taxes	717	2,190	105	321	52	160	874	2,671
Professional fees	10,480	13,450	1,534	1,968	767	984	12,781	16,402
World services	5,106	3,947	747	578	374	289	6,227	4,814
Postage and shipping	3,781	3,238	553	474	277	237	4,611	3,949
Repairs and maintenance, equipment	1,639	4,722	240	691	120	345	1,999	5,758
Telephone	4,965	3,821	727	559	363	280	6,055	4,660
Conferences and meetings	1,169	853	171	125	86	62	1,426	1,040
Miscellaneous	1,489	1,302	218	190	109	95	1,816	1,587
Total expenses	<u>\$ 216,601</u>	<u>\$ 235,718</u>	<u>\$ 32,111</u>	<u>\$ 51,397</u>	<u>\$ 9,028</u>	<u>\$ 9,883</u>	<u>\$ 257,740</u>	<u>\$ 296,998</u>

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combining Schedule of Functional Expenses - Richard Fleming Family Hope Center (Unaudited)
 For the Years Ended September 30, 2018 and 2017

	Program		Management and General		Fundraising		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits	\$ 360,923	\$ 346,093	\$ -	\$ -	\$ -	\$ -	\$ 360,923	\$ 346,093
Financial assistance	133,264	141,468	-	-	-	-	133,264	141,468
Occupancy	79,823	66,008	-	-	-	-	79,823	66,008
Support services	51,533	52,182	-	-	-	-	51,533	52,182
Printing	18,572	13,526	-	-	-	-	18,572	13,526
Travel	523	178	-	-	-	-	523	178
Supplies	6,895	6,448	-	-	-	-	6,895	6,448
Payroll taxes	28,212	27,841	-	-	-	-	28,212	27,841
Professional fees	5,630	11,571	-	-	-	-	5,630	11,571
Postage and shipping	5,774	5,188	-	-	-	-	5,774	5,188
Repairs and maintenance, equipment	22,278	7,865	-	-	-	-	22,278	7,865
Telephone	4,078	4,116	-	-	-	-	4,078	4,116
Conferences and meetings	42	839	-	-	-	-	42	839
Total expenses	\$ 717,547	\$ 683,323	\$ -	\$ -	\$ -	\$ -	\$ 717,547	\$ 683,323

The Operating Units of the Salvation Army - Lehigh Valley Area Services

Combining Schedule of Functional Expenses - Lehigh Valley Area Services Regional Office (Unaudited)
For the Years Ended September 30, 2018 and 2017

	Program		Management and General		Fundraising		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits	\$ -	\$ -	\$ 195,928	\$ 54,445	\$ 135,288	\$ 128,174	\$ 331,216	\$ 182,619
Financial assistance	18,326	-	-	500	-	-	18,326	500
Occupancy	-	-	16,547	18,920	1,593	-	18,140	18,920
Support services	-	-	13,590	3,937	6,107	22,149	19,697	26,086
Printing	-	-	250	1,091	1,330	13,459	1,580	14,550
Travel	-	-	387	13,282	9,429	5,861	9,816	19,143
Supplies	-	-	6,236	8,703	1,663	5,154	7,899	13,857
Payroll taxes	-	-	5,598	6,589	4,517	4,244	10,115	10,833
Professional fees	-	-	6,011	1,518	736	3,537	6,747	5,055
Postage and shipping	-	-	831	1,342	442	4,450	1,273	5,792
Repairs and maintenance, equipment	-	-	5,085	3,716	757	1,589	5,842	5,305
Telephone	-	-	2,076	2,964	227	-	2,303	2,964
Conferences and meetings	-	-	11,417	5,919	-	-	11,417	5,919
Miscellaneous	-	-	3,534	987	93	93	3,627	1,080
Total expenses	<u>\$ 18,326</u>	<u>\$ -</u>	<u>\$ 267,490</u>	<u>\$ 123,913</u>	<u>\$ 162,182</u>	<u>\$ 188,710</u>	<u>\$ 447,998</u>	<u>\$ 312,623</u>