

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

Combined Financial Statements and
Supplementary Information

September 30, 2017 and 2016



BAKER TILLY

Candor. Insight. Results.

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

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September 30, 2017 and 2016

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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, 2017 and 2016, 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.

Auditor's 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, 2017 and 2016, 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, 2017 and 2016. Accordingly, we express no opinion on the changes in net assets, cash flows, and functional expenses for the years ended September 30, 2017 and 2016.

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
March 22, 2018

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

Combined Statement of Financial Position - Operating Fund

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 265,594	\$ 229,943
Accounts Receivable	<u>176,742</u>	<u>108,832</u>
Total assets	<u>\$ 442,336</u>	<u>\$ 338,775</u>
Liabilities and Unrestricted Net Deficit		
Accounts Payable		
Due to related parties	\$ 1,032,987	\$ 1,033,304
Other vendors	<u>25,613</u>	<u>16,311</u>
Total accounts payable	<u>1,058,600</u>	<u>1,049,615</u>
Accrued Expenses	<u>51,693</u>	<u>35,920</u>
Deferred Revenue		
Restricted contributions	25,000	-
Funds received in advance	<u>106,619</u>	<u>127,836</u>
Total deferred revenue	<u>131,619</u>	<u>127,836</u>
Total liabilities	1,241,912	1,213,371
Unrestricted Net Deficit	<u>(799,576)</u>	<u>(874,596)</u>
Total liabilities and unrestricted net deficit	<u>\$ 442,336</u>	<u>\$ 338,775</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)

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Contributions	\$ 1,510,411	\$ 1,346,439
Donations in kind	1,324,088	1,085,656
Public funds:		
Federal	160,121	137,664
State	18,980	30,949
Local	123,637	135,264
Allocations from United Way of the Greater Lehigh Valley	164,440	172,708
Transfers from DHQ including interest and dividends from investments	77,910	67,776
Program fees	12,804	96,498
Special fund raising	96,881	58,333
World services	10,594	9,586
Contributions from affiliated organizations	64,611	67,617
Miscellaneous	170	38,675
	<u>3,564,647</u>	<u>3,247,165</u>
Total revenues		
Expenses		
Program	3,108,020	2,723,200
Management and general	459,656	415,814
Fund raising	271,042	382,805
	<u>3,838,718</u>	<u>3,521,819</u>
Total expenses		
Change in net deficit from operations	(274,071)	(274,654)
Transfers from Reserves	<u>349,091</u>	<u>30,000</u>
Change in unrestricted net deficit	75,020	(244,654)
Unrestricted Net Deficit, Beginning	<u>(874,596)</u>	<u>(629,942)</u>
Unrestricted Net Deficit, Ending	<u><u>\$ (799,576)</u></u>	<u><u>\$ (874,596)</u></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)

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Cash received from donors and other funding sources	\$ 2,502,613	\$ 2,131,327
Cash paid to suppliers and individuals in need	(1,323,183)	(1,093,416)
Cash paid to employees for salaries and benefits	(1,166,689)	(1,146,804)
Transfers received from DHQ for interest earned	22,910	67,776
	<u>35,651</u>	<u>(41,117)</u>
Net cash provided by (used in) operating activities	35,651	(41,117)
Cash, Beginning of Year	<u>229,943</u>	<u>271,060</u>
Cash, End of Year	<u>\$ 265,594</u>	<u>\$ 229,943</u>
Reconciliation of Change in Unrestricted Net Deficit to Cash Flows Provided by (Used in) Operating Activities		
Change in unrestricted net deficit	<u>\$ 75,020</u>	<u>\$ (244,654)</u>
Adjustments to reconcile change in unrestricted net deficit to cash flows provided by (used in) operating activities:		
(Increase) decrease in:		
Accounts receivable	(67,910)	(16,619)
Other assets	-	2,125
Increase (decrease) in:		
Accounts payable	8,985	160,002
Accrued expenses	15,773	5,941
Deferred revenue	3,783	52,088
	<u>(39,369)</u>	<u>203,537</u>
Total adjustments	(39,369)	203,537
Net cash provided by (used in) operating activities	<u>\$ 35,651</u>	<u>\$ (41,117)</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)

September 30, 2017 and 2016

	Program		Management and General		Fundraising		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Salaries and benefits	\$ 882,168	\$ 880,597	\$ 132,894	\$ 161,476	\$ 167,399	\$ 108,831	\$ 1,182,461	\$ 1,150,904
Financial assistance	1,440,948	1,210,356	500	1,906	-	-	1,441,448	1,212,262
Occupancy	242,914	238,994	44,809	43,411	12,944	12,546	300,667	294,951
Support services	52,182	35,534	175,012	105,750	22,149	66,473	249,343	207,757
Printing	74,244	7,243	9,976	1,615	17,902	118,134	102,122	126,992
Travel	47,445	49,422	20,200	28,852	9,319	5,616	76,964	83,890
Supplies	55,925	53,221	15,944	11,717	8,774	8,420	80,643	73,358
Payroll taxes	55,335	59,712	10,613	11,601	6,255	6,106	72,203	77,419
Professional fees	109,990	42,946	15,921	6,525	10,739	8,663	136,650	58,134
World services	44,877	42,310	6,568	6,192	3,283	3,095	54,728	51,597
Postage and shipping	27,336	4,635	4,584	691	6,071	38,795	37,991	44,121
Repairs and maintenance, equipment	36,102	60,718	7,848	20,504	3,655	3,703	47,605	84,925
Telephone	24,601	25,987	5,961	10,170	1,499	1,466	32,061	37,623
Conferences and meetings	10,518	8,456	7,336	3,723	708	619	18,562	12,798
Miscellaneous	3,435	3,069	1,490	1,681	345	338	5,270	5,088
Total expenses	<u>\$ 3,108,020</u>	<u>\$ 2,723,200</u>	<u>\$ 459,656</u>	<u>\$ 415,814</u>	<u>\$ 271,042</u>	<u>\$ 382,805</u>	<u>\$ 3,838,718</u>	<u>\$ 3,521,819</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, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016

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 2017 and 2016, of employees' salaries. The Operating Units incurred \$21,675 and \$22,427 of expense under this Plan in fiscal 2017 and 2016, 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 \$38,160 and \$35,054 in fiscal 2017 and 2016, 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, 2017 and 2016, the Operating Units have accounts payable to DHQ and other related parties of \$1,032,987 and \$1,033,304, respectively. These amounts have no defined repayment terms, and will be repaid as cash from operations becomes available.

During 2017 and 2016, several of the Operating Units requested and were granted permission to use \$349,091 and \$30,000, 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 \$131,247 and \$55,848 at September 30, 2017 and 2016, 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 \$246,830 in 2017 and \$206,233 in 2016.

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

Notes to Combined Financial Statements

September 30, 2017 and 2016

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 \$111,112 and \$100,576 in fiscal years 2017 and 2016, 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 \$90,980 and \$95,970 in fiscal years 2017 and 2016, 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 \$89,156 and \$93,806 in fiscal years 2017 and 2016, 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, 2017 and 2016

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. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for the interim and annual periods on or after December 15, 2017 (early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period). 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 Unites 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 March 22, 2018, 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, 2017 and 2016

	Allentown Corps Operating Fund		Bethlehem Corps Operating Fund		Easton Corps Operating Fund		Pen Argyl Corps Operating Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets								
Cash	\$ 22,855	\$ 24,781	\$ 14,740	\$ 36,955	\$ 10,042	\$ 6,521	\$ 27,449	\$ 12,570
Accounts Receivable	20,136	27,543	52,558	7,510	67,288	39,742	4,882	5,725
Total assets	<u>\$ 42,991</u>	<u>\$ 52,324</u>	<u>\$ 67,298</u>	<u>\$ 44,465</u>	<u>\$ 77,330</u>	<u>\$ 46,263</u>	<u>\$ 32,331</u>	<u>\$ 18,295</u>
Liabilities and Net Deficit								
Accounts Payable								
Due to related parties	\$ 372,846	\$ 334,978	\$ 13,601	\$ 9,053	\$ 246,101	\$ 240,135	\$ 8,821	\$ 92,337
Other vendors	4,117	1,780	5,046	416	4,924	3,825	1,015	417
Total accounts payable	<u>376,963</u>	<u>336,758</u>	<u>18,647</u>	<u>9,469</u>	<u>251,025</u>	<u>243,960</u>	<u>9,836</u>	<u>92,754</u>
Accrued Expenses	<u>8,722</u>	<u>6,506</u>	<u>9,437</u>	<u>4,686</u>	<u>8,212</u>	<u>6,051</u>	<u>1,707</u>	<u>1,695</u>
Deferred Revenue								
Restricted contributions	-	-	-	-	-	-	-	-
Funds received in advance	6,032	3,237	-	-	2,087	1,248	-	-
Total deferred revenue	<u>6,032</u>	<u>3,237</u>	<u>-</u>	<u>-</u>	<u>2,087</u>	<u>1,248</u>	<u>-</u>	<u>-</u>
Total liabilities	391,717	346,501	28,084	14,155	261,324	251,259	11,543	94,449
Net Deficit								
Unrestricted	<u>(348,726)</u>	<u>(294,177)</u>	<u>39,214</u>	<u>30,310</u>	<u>(183,994)</u>	<u>(204,996)</u>	<u>20,788</u>	<u>(76,154)</u>
Total liabilities and net deficit	<u>\$ 42,991</u>	<u>\$ 52,324</u>	<u>\$ 67,298</u>	<u>\$ 44,465</u>	<u>\$ 77,330</u>	<u>\$ 46,263</u>	<u>\$ 32,331</u>	<u>\$ 18,295</u>

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

Combining Schedule of Financial Position - Operating Fund (Unaudited)

September 30, 2017 and 2016

	Richard Fleming Family Hope Center		Lehigh Valley Regional Office		Eliminations		Combined Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets								
Cash	\$ 30,971	\$ 8,522	\$ 159,537	\$ 140,594	\$ -	\$ -	\$ 265,594	\$ 229,943
Accounts Receivable	43,130	42,136	29,732	15,590	(40,984)	(29,414)	176,742	108,832
Total assets	<u>\$ 74,101</u>	<u>\$ 50,658</u>	<u>\$ 189,269</u>	<u>\$ 156,184</u>	<u>\$ (40,984)</u>	<u>\$ (29,414)</u>	<u>\$ 442,336</u>	<u>\$ 338,775</u>
Liabilities and Net Deficit								
Accounts Payable								
Due to related parties	\$ 363,043	\$ 309,814	\$ 69,559	\$ 76,401	\$ (40,984)	\$ (29,414)	\$ 1,032,987	\$ 1,033,304
Other vendors	4,075	4,849	6,436	5,024	-	-	25,613	16,311
Total accounts payable	<u>367,118</u>	<u>314,663</u>	<u>75,995</u>	<u>81,425</u>	<u>(40,984)</u>	<u>(29,414)</u>	<u>1,058,600</u>	<u>1,049,615</u>
Accrued Expenses	<u>14,860</u>	<u>11,012</u>	<u>8,755</u>	<u>5,970</u>	<u>-</u>	<u>-</u>	<u>51,693</u>	<u>35,920</u>
Deferred Revenue								
Restricted contributions	-	-	25,000	-	-	-	25,000	-
Funds received in advance	-	-	98,500	123,351	-	-	106,619	127,836
Total deferred revenue	<u>-</u>	<u>-</u>	<u>123,500</u>	<u>123,351</u>	<u>-</u>	<u>-</u>	<u>131,619</u>	<u>127,836</u>
Total liabilities	381,978	325,675	208,250	210,746	(40,984)	(29,414)	1,241,912	1,213,371
Net Deficit								
Unrestricted	<u>(307,877)</u>	<u>(275,017)</u>	<u>(18,981)</u>	<u>(54,562)</u>	<u>-</u>	<u>-</u>	<u>(799,576)</u>	<u>(874,596)</u>
Total liabilities and net deficit	<u>\$ 74,101</u>	<u>\$ 50,658</u>	<u>\$ 189,269</u>	<u>\$ 156,184</u>	<u>\$ (40,984)</u>	<u>\$ (29,414)</u>	<u>\$ 442,336</u>	<u>\$ 338,775</u>

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

Combining Schedule of Activities - Operating Fund (Unaudited)

September 30, 2017 and 2016

	Allentown Corps Operating Fund		Bethlehem Corps Operating Fund		Easton Corps Operating Fund		Pen Argyl Operating Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues								
Contributions	\$ 483,552	\$ 309,465	\$ 393,926	\$ 297,033	\$ 210,279	\$ 151,215	\$ 115,507	\$ 83,117
Donations in kind	207,088	322,481	466,330	338,876	448,561	242,609	75,848	99,102
Public funds:								
Federal	-	-	-	-	3,413	-	2,000	1,601
State	7,355	10,463	-	-	-	-	-	-
Local	9,524	11,913	7,366	7,634	-	-	20,000	20,000
Allocations from United Way of the Greater Lehigh Valley	25,372	25,967	25,308	25,460	23,243	23,033	14,124	14,196
Transfers from DHQ including interest and dividends from investments	8,214	5,837	3,763	48,049	57,061	4,084	8,872	9,806
Program fees	3,390	89,758	939	4,842	3,539	1,798	120	100
Special fund raising	825	9,157	3,773	13,419	1,932	9,688	88	9,008
World services	391	52	8,791	7,966	1,067	1,149	345	419
Contributions from affiliated organizations	8,878	10,913	23,733	24,474	1,500	2,850	30,500	29,380
Miscellaneous	170	166	-	-	-	1,430	-	-
Total revenues	754,759	796,172	933,929	767,753	750,595	437,856	267,404	266,729
Expenses								
Program	667,673	719,867	849,048	650,654	672,258	461,218	235,718	238,619
Management and general	122,153	86,712	99,240	71,382	62,953	48,615	51,397	27,370
Fundraising	32,431	26,653	24,274	19,410	15,744	15,460	9,883	8,272
Total expenses	822,257	833,232	972,562	741,446	750,955	525,293	296,998	274,261
Change in net deficit from operations	(67,498)	(37,060)	(38,633)	26,307	(360)	(87,437)	(29,594)	(7,532)
Transfers from Reserves	12,949	-	47,537	-	21,362	30,000	126,536	-
Change in unrestricted net deficit	(54,549)	(37,060)	8,904	26,307	21,002	(57,437)	96,942	(7,532)
Unrestricted Net Assets (Deficit), Beginning	(294,177)	(257,117)	30,310	4,003	(204,996)	(147,559)	(76,154)	(68,622)
Unrestricted Net Assets (Deficit), Ending	\$ (348,726)	\$ (294,177)	\$ 39,214	\$ 30,310	\$ (183,994)	\$ (204,996)	\$ 20,788	\$ (76,154)

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

Combining Schedule of Activities - Operating Fund (Unaudited)

September 30, 2017 and 2016

	Richard Fleming Family Hope Center		Lehigh Valley Regional Office		Combined Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Contributions	\$ 217,625	\$ 135,738	\$ 89,522	\$ 369,871	\$ 1,510,411	\$ 1,346,439
Donations in kind	125,761	80,682	500	1,906	1,324,088	1,085,656
Public funds:						
Federal	154,708	136,063	-	-	160,121	137,664
State	11,625	20,486	-	-	18,980	30,949
Local	86,747	95,717	-	-	123,637	135,264
Allocations from United Way of the Greater Lehigh Valley	49,181	49,180	27,212	34,872	164,440	172,708
Transfers from DHQ including interest and dividends from investments	-	-	-	-	77,910	67,776
Program fees	4,816	-	-	-	12,804	96,498
Special fund raising	-	-	90,263	17,061	96,881	58,333
World services	-	-	-	-	10,594	9,586
Contributions from affiliated organizations	-	-	-	-	64,611	67,617
Miscellaneous	-	7,017	-	30,062	170	38,675
Total revenues	650,463	524,883	207,497	453,772	3,564,647	3,247,165
Expenses						
Program	683,323	652,842	-	-	3,108,020	2,723,200
Management and general	-	-	123,913	181,735	459,656	415,814
Fundraising	-	-	188,710	313,010	271,042	382,805
Total expenses	683,323	652,842	312,623	494,745	3,838,718	3,521,819
Change in net deficit from operations	(32,860)	(127,959)	(105,126)	(40,973)	(274,071)	(274,654)
Transfers from Reserves	-	-	140,707	-	349,091	30,000
Change in unrestricted net deficit	(32,860)	(127,959)	35,581	(40,973)	75,020	(244,654)
Unrestricted Net Deficit, Beginning	(275,017)	(147,058)	(54,562)	(13,589)	(874,596)	(629,942)
Unrestricted Net Deficit, Ending	\$ (307,877)	\$ (275,017)	\$ (18,981)	\$ (54,562)	\$ (799,576)	\$ (874,596)

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

Combining Schedule of Functional Expenses - Allentown Operating Fund (Unaudited)
September 30, 2017 and 2016

	Program		Management and General		Fundraising		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Salaries and benefits	\$ 229,643	\$ 208,147	\$ 33,606	\$ 30,461	\$ 16,803	\$ 15,230	\$ 280,052	\$ 253,838
Financial assistance	224,458	355,615	-	-	-	-	224,458	355,615
Occupancy	64,014	57,604	9,368	8,430	4,684	4,215	78,066	70,249
Support services	-	-	57,292	33,405	-	-	57,292	33,405
Printing	22,490	1,618	3,291	237	1,646	118	27,427	1,973
Travel	14,410	10,787	2,109	1,579	1,054	789	17,573	13,155
Supplies	12,869	14,006	1,883	2,050	942	1,025	15,694	17,081
Payroll taxes	14,206	16,160	2,079	2,365	1,039	1,182	17,324	19,707
Professional fees	37,426	13,551	5,477	1,983	2,739	992	45,642	16,526
World services	23,674	23,020	3,465	3,369	1,732	1,684	28,871	28,073
Postage and shipping	9,020	2,637	1,320	386	660	193	11,000	3,216
Repairs and maintenance, equipment	3,698	5,747	541	841	271	421	4,510	7,009
Telephone	9,487	8,945	1,388	1,309	694	655	11,569	10,909
Conferences and meetings	1,474	1,374	216	201	108	101	1,798	1,676
Miscellaneous	804	656	118	96	59	48	981	800
Total expenses	<u>\$ 667,673</u>	<u>\$ 719,867</u>	<u>\$ 122,153</u>	<u>\$ 86,712</u>	<u>\$ 32,431</u>	<u>\$ 26,653</u>	<u>\$ 822,257</u>	<u>\$ 833,232</u>

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

Combining Schedule of Functional Expenses - Bethlehem Operating Fund (Unaudited)
September 30, 2017 and 2016

	Program		Management and General		Fundraising		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Salaries and benefits	\$ 144,470	\$ 136,496	\$ 21,142	\$ 19,975	\$ 10,571	\$ 9,988	\$ 176,183	\$ 166,459
Financial assistance	517,293	385,396	-	-	-	-	517,293	385,396
Occupancy	52,136	46,546	7,630	6,812	3,815	3,406	63,581	56,764
Support services	-	-	50,689	32,561	-	-	50,689	32,561
Printing	17,058	2,294	2,496	336	1,248	168	20,802	2,798
Travel	15,448	13,970	2,261	2,044	1,130	1,022	18,839	17,036
Supplies	26,774	20,692	3,918	3,028	1,959	1,514	32,651	25,234
Payroll taxes	7,255	7,419	1,062	1,086	531	543	8,848	9,048
Professional fees	29,847	11,997	4,368	1,756	2,184	878	36,399	14,631
World services	7,974	6,987	1,167	1,023	583	511	9,724	8,521
Postage and shipping	6,284	874	920	128	460	64	7,664	1,066
Repairs and maintenance, equipment	16,856	11,615	2,467	1,700	1,233	850	20,556	14,165
Telephone	2,284	2,122	334	311	167	155	2,785	2,588
Conferences and meetings	4,853	3,811	710	558	355	279	5,918	4,648
Miscellaneous	516	435	76	64	38	32	630	531
Total expenses	<u>\$ 849,048</u>	<u>\$ 650,654</u>	<u>\$ 99,240</u>	<u>\$ 71,382</u>	<u>\$ 24,274</u>	<u>\$ 19,410</u>	<u>\$ 972,562</u>	<u>\$ 741,446</u>

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

Combining Schedule of Functional Expenses - Easton Operating Fund (Unaudited)
September 30, 2017 and 2016

	Program		Management and General		Fundraising		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Salaries and benefits	\$ 105,659	\$ 109,302	\$ 15,462	\$ 15,995	\$ 7,731	\$ 7,998	\$ 128,852	\$ 133,295
Financial assistance	457,100	249,949	-	-	-	-	457,100	249,949
Occupancy	37,681	41,774	5,514	6,113	2,757	3,057	45,952	50,944
Support services	-	-	31,466	17,698	-	-	31,466	17,698
Printing	10,740	1,210	1,572	177	786	89	13,098	1,476
Travel	13,623	20,848	1,994	3,051	997	1,525	16,614	25,424
Supplies	1,862	4,052	273	593	136	296	2,271	4,941
Payroll taxes	3,843	4,918	562	720	281	360	4,686	5,998
Professional fees	17,696	7,168	2,590	1,049	1,295	525	21,581	8,742
World services	9,282	8,120	1,358	1,188	679	594	11,319	9,902
Postage and shipping	3,606	321	528	47	264	24	4,398	392
Repairs and maintenance, equipment	2,961	5,751	433	842	217	421	3,611	7,014
Telephone	4,893	4,743	716	694	358	347	5,967	5,784
Conferences and meetings	2,499	2,230	366	326	183	163	3,048	2,719
Miscellaneous	813	832	119	122	60	61	992	1,015
Total expenses	<u>\$ 672,258</u>	<u>\$ 461,218</u>	<u>\$ 62,953</u>	<u>\$ 48,615</u>	<u>\$ 15,744</u>	<u>\$ 15,460</u>	<u>\$ 750,955</u>	<u>\$ 525,293</u>

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

Combining Schedule of Functional Expenses - Pen Argyl Operating Fund (Unaudited)
September 30, 2017 and 2016

	Program		Management and General		Fundraising		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Salaries and benefits	\$ 56,303	\$ 53,604	\$ 8,239	\$ 7,845	\$ 4,120	\$ 3,922	\$ 68,662	\$ 65,371
Financial assistance	100,629	125,561	-	-	-	-	100,629	125,561
Occupancy	23,075	25,530	3,377	3,736	1,688	1,868	28,140	31,134
Support services	-	-	31,628	10,826	-	-	31,628	10,826
Printing	10,430	2,121	1,526	310	763	155	12,719	2,586
Travel	3,786	3,269	554	478	277	239	4,617	3,986
Supplies	7,972	6,970	1,167	1,020	583	510	9,722	8,500
Payroll taxes	2,190	2,421	321	354	160	177	2,671	2,952
Professional fees	13,450	5,366	1,968	785	984	393	16,402	6,544
World services	3,947	4,183	578	612	289	306	4,814	5,101
Postage and shipping	3,238	745	474	109	237	54	3,949	908
Repairs and maintenance, equipment	4,722	2,441	691	357	345	179	5,758	2,977
Telephone	3,821	4,221	559	618	280	309	4,660	5,148
Conferences and meetings	853	1,041	125	152	62	76	1,040	1,269
Miscellaneous	1,302	1,146	190	168	95	84	1,587	1,398
Total expenses	<u>\$ 235,718</u>	<u>\$ 238,619</u>	<u>\$ 51,397</u>	<u>\$ 27,370</u>	<u>\$ 9,883</u>	<u>\$ 8,272</u>	<u>\$ 296,998</u>	<u>\$ 274,261</u>

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

Combining Schedule of Functional Expenses - Richard Fleming Family Hope Center (Unaudited)
September 30, 2017 and 2016

	Program		Management and General		Fundraising		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Salaries and benefits	\$ 346,093	\$ 373,048	\$ -	\$ -	\$ -	\$ -	\$ 346,093	\$ 373,048
Financial assistance	141,468	93,835	-	-	-	-	141,468	93,835
Occupancy	66,008	67,540	-	-	-	-	66,008	67,540
Support services	52,182	35,534	-	-	-	-	52,182	35,534
Printing	13,526	-	-	-	-	-	13,526	-
Travel	178	548	-	-	-	-	178	548
Supplies	6,448	7,501	-	-	-	-	6,448	7,501
Payroll taxes	27,841	28,794	-	-	-	-	27,841	28,794
Professional fees	11,571	4,864	-	-	-	-	11,571	4,864
Postage and shipping	5,188	58	-	-	-	-	5,188	58
Repairs and maintenance, equipment	7,865	35,164	-	-	-	-	7,865	35,164
Telephone	4,116	5,956	-	-	-	-	4,116	5,956
Conferences and meetings	839	-	-	-	-	-	839	-
Total expenses	<u>\$ 683,323</u>	<u>\$ 652,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 683,323</u>	<u>\$ 652,842</u>

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

Combining Schedule of Functional Expenses - Lehigh Valley Area Services Regional Office (Unaudited)
September 30, 2017 and 2016

	Program		Management and General		Fundraising		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Salaries and benefits	\$ -	\$ -	\$ 54,445	\$ 87,200	\$ 128,174	\$ 71,693	\$ 182,619	\$ 158,893
Financial assistance	-	-	500	1,906	-	-	500	1,906
Occupancy	-	-	18,920	18,320	-	-	18,920	18,320
Support services	-	-	3,937	11,260	22,149	66,473	26,086	77,733
Printing	-	-	1,091	555	13,459	117,604	14,550	118,159
Travel	-	-	13,282	21,700	5,861	2,041	19,143	23,741
Supplies	-	-	8,703	5,026	5,154	5,075	13,857	10,101
Payroll taxes	-	-	6,589	7,076	4,244	3,844	10,833	10,920
Professional fees	-	-	1,518	952	3,537	5,875	5,055	6,827
Postage and shipping	-	-	1,342	21	4,450	38,460	5,792	38,481
Repairs and maintenance, equipment	-	-	3,716	16,764	1,589	1,832	5,305	18,596
Telephone	-	-	2,964	7,238	-	-	2,964	7,238
Conferences and meetings	-	-	5,919	2,486	-	-	5,919	2,486
Miscellaneous	-	-	987	1,231	93	113	1,080	1,344
Total expenses	\$ -	\$ -	\$ 123,913	\$ 181,735	\$ 188,710	\$ 313,010	\$ 312,623	\$ 494,745