

**THIRD STREET ALLIANCE  
FOR WOMEN AND CHILDREN**

**FINANCIAL REPORT  
(Audited)**

**December 31, 2018**

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

**BUCKNOLISICKY.COM**

*A Professional Corporation*

**Certified Public Accountants | Business Consultants**

# **THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN**

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**December 31, 2018 and 2017**

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Certified Public Accountants | Business Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Third Street Alliance for Women and Children  
Easton, Pennsylvania

We have audited the accompanying financial statements of Third Street Alliance for Women and Children (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and changes in net assets, statements of 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 audits 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 Third Street Alliance for Women and Children as of December 31, 2018 and 2017, and the changes in its net assets, functional expenses 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*

Bethlehem, Pennsylvania  
July 18, 2019



**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN****Statements of Financial Position****December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 286,018	\$ 138,838
Investments, unrestricted	1,511,325	1,592,142
Investments, restricted	876,228	949,345
State unemployment bond and prepaid expense	5,571	13,611
Accounts receivable	101,294	69,308
Prepaid expenses and other current assets	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>2,780,436</u>	<u>2,763,244</u>
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment	3,313,688	3,294,241
Less: accumulated depreciation	(1,644,138)	(1,849,664)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>1,669,550</u>	<u>1,444,577</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 4,449,986</b></u>	<u><b>\$ 4,207,821</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 113,422	\$ 232,590
Current maturity of long-term debt	37,712	-
Accounts payable	21,331	77,876
Accrued expenses	43,513	42,190
Deferred revenue	-	3,000
Deposits held in escrow	4,366	2,511
<b>TOTAL CURRENT LIABILITIES</b>	<u>220,344</u>	<u>358,167</u>
<b>LONG-TERM DEBT, net of current maturities</b>	<u>259,237</u>	<u>-</u>
<b>NET ASSETS</b>		
Without donor restrictions	2,921,161	2,888,872
With donor restrictions	1,049,244	960,782
<b>TOTAL NET ASSETS</b>	<u>3,970,405</u>	<u>3,849,654</u>
<b>TOTAL LIABILITIES NET ASSETS</b>	<u><b>\$ 4,449,986</b></u>	<u><b>\$ 4,207,821</b></u>

See accompanying notes to financial statements

**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN****Statement of Activities****Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Grants and contracts	\$ 15,875	\$ 1,087,202	\$ 1,103,077
Contributions	197,849	160,629	358,478
Special events, net	60,410	-	60,410
United Way	-	105,927	105,927
CCIS	-	312,835	312,835
Food Programs	-	64,054	64,054
Program service fees	235,141	-	235,141
Rental service fees	2,450	-	2,450
Sales to the public, net	387	1,664	2,051
Investment income (losses)	(42,221)	(14,883)	(57,104)
Net assets released from restrictions	<u>1,628,966</u>	<u>(1,628,966)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>2,098,857</u>	<u>88,462</u>	<u>2,187,319</u>
EXPENSES			
Program services	1,568,635	-	1,568,635
Support services:			
Management and general	391,205	-	391,205
Fundraising	<u>106,728</u>	<u>-</u>	<u>106,728</u>
TOTAL EXPENSES	<u>2,066,568</u>	<u>-</u>	<u>2,066,568</u>
CHANGE IN NET ASSETS	<b>32,289</b>	<b>88,462</b>	<b>120,751</b>
NET ASSETS, JANUARY 1	<u>2,888,872</u>	<u>960,782</u>	<u>3,849,654</u>
NET ASSETS, DECEMBER 31	<u><b>\$ 2,921,161</b></u>	<u><b>\$ 1,049,244</b></u>	<u><b>\$ 3,970,405</b></u>

See accompanying notes to financial statements

**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN****Statement of Activities****Year Ended December 31, 2017**

	Without Donor Restriction	With Donor Restriction	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Grants and contracts	\$ 8,750	\$ 621,202	\$ 629,952
Contributions	215,467	174,217	389,684
Special events, net	52,353	-	52,353
United Way	-	145,000	145,000
CCIS	-	237,347	237,347
Food Programs	-	53,060	53,060
Program service fees	273,084	-	273,084
Rental service fees	3,920	-	3,920
Sales to the public, net	118	2,021	2,139
Investment income (losses)	234,330	165,105	399,435
Net assets released from restrictions	1,391,184	(1,391,184)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	2,179,206	6,768	2,185,974
EXPENSES			
Program services	1,445,307	-	1,445,307
Support services:			
Management and general	327,871	-	327,871
Fundraising	92,010	-	92,010
TOTAL EXPENSES	1,865,188	-	1,865,188
CHANGE IN NET ASSETS	314,018	6,768	320,786
NET ASSETS, JANUARY 1	2,574,854	954,014	3,528,868
NET ASSETS, DECEMBER 31	\$ 2,888,872	\$ 960,782	\$ 3,849,654

See accompanying notes to financial statements



### THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN

#### Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			
	Homeless Services	Classes & Activities	Early Learning	Adult Services
<b>PAYROLL AND BENEFITS</b>				
Salaries and wages	\$ 286,320	\$ 28,840	\$ 602,275	\$ 75,481
Payroll taxes	22,405	3,112	39,751	5,260
Employee Benefits	11,737	(1,244)	54,563	3,343
Unemployment	12,212	-	11,504	17,083
Workers' compensation	4,690	347	8,208	2,257
<b>TOTAL PAYROLL AND BENEFITS</b>	<b>337,364</b>	<b>31,055</b>	<b>716,301</b>	<b>103,424</b>
<b>OTHER</b>				
Professional fees	800	189	3,954	254
Telephone	3,512	295	4,682	2,047
Repairs and maintenance	82,509	3,373	26,106	4,486
Insurance	6,662	2,082	6,608	2,897
Utilities	19,730	9,008	19,279	3,764
Postage	113	-	314	50
Printing and publicity	2,428	1,553	7,100	975
Supplies	11,024	1,259	49,798	4,761
Local transportation and parking	641	(86)	8,784	219
Conferences and education	627	-	2,589	20
Fundraising expenses	-	-	-	-
Equipment purchases	1,511	-	-	-
Van expense	-	-	1,607	-
Technology	1,865	1,098	1,853	1,496
Food program	-	-	28,300	3,755
HUD grant expenditures	40,658	-	-	-
Finance charges	-	-	3,191	648
Recognition	103	-	-	-
<b>TOTAL OTHER</b>	<b>172,183</b>	<b>18,771</b>	<b>164,165</b>	<b>25,372</b>
<b>DEPRECIATION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INTEREST EXPENSE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 509,547</b>	<b>\$ 49,826</b>	<b>\$ 880,466</b>	<b>\$ 128,796</b>

See accompanying notes to financial statements



**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN****Statement of Functional Expenses****Year Ended December 31, 2018**

	<b>Total Program Activities</b>	<b>Support Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
<b>PAYROLL AND BENEFITS</b>				
Salaries and wages	\$ 992,916	\$ 139,463	\$ 69,702	\$ 1,202,081
Payroll taxes	70,528	11,904	4,975	87,407
Employee Benefits	68,399	33,695	13,057	115,151
Unemployment	40,799	10,941	-	51,740
Workers' compensation	15,502	1,871	650	18,023
<b>TOTAL PAYROLL AND BENEFITS</b>	<b>1,188,144</b>	<b>197,874</b>	<b>88,384</b>	<b>1,474,402</b>
<b>OTHER</b>				
Professional fees	5,197	9,869	433	15,499
Telephone	10,536	1,686	1,826	14,048
Repairs and maintenance	116,474	22,074	1,303	139,851
Insurance	18,249	4,408	700	23,357
Utilities	51,781	8,069	-	59,850
Postage	477	379	500	1,356
Printing and publicity	12,056	2,745	813	15,614
Supplies	66,842	6,601	45	73,488
Local transportation and parking	9,558	2,135	-	11,693
Conferences and education	3,236	4,551	363	8,150
Fundraising expenses	-	374	10,624	10,998
Equipment purchases	1,511	-	-	1,511
Van expense	1,607	-	-	1,607
Technology	6,312	20,434	1,319	28,065
Food program	32,055	-	-	32,055
HUD grant expenditures	40,658	-	-	40,658
Finance charges	3,839	2,126	418	6,383
Recognition	103	167	-	270
<b>TOTAL OTHER</b>	<b>380,491</b>	<b>85,618</b>	<b>18,344</b>	<b>484,453</b>
<b>DEPRECIATION</b>	<b>-</b>	<b>94,341</b>	<b>-</b>	<b>94,341</b>
<b>INTEREST EXPENSE</b>	<b>-</b>	<b>13,372</b>	<b>-</b>	<b>13,372</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,568,635</b>	<b>\$ 391,205</b>	<b>\$ 106,728</b>	<b>\$ 2,066,568</b>

See accompanying notes to financial statements

**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN****Statement of Functional Expenses****Year Ended December 31, 2017**

	<b>Program Services</b>			
	<b>Homeless Services</b>	<b>Classes &amp; Activities</b>	<b>Early Learning</b>	<b>Adult Services</b>
<b>PAYROLL AND BENEFITS</b>				
Salaries and wages	\$ 280,665	\$ 25,725	\$ 535,080	\$ 141,220
Payroll taxes	20,230	2,090	39,520	9,769
Employee Benefits	16,711	-	49,458	7,239
Unemployment	2,904	-	12,534	1,833
Workers' compensation	3,361	568	6,835	1,356
<b>TOTAL PAYROLL AND BENEFITS</b>	<b>323,871</b>	<b>28,383</b>	<b>643,427</b>	<b>161,417</b>
<b>OTHER</b>				
Professional fees	3,259	462	6,856	2,015
Telephone	3,391	228	3,391	3,392
Repairs and maintenance	8,981	3,457	20,448	12,109
Insurance	5,806	1,814	5,520	2,809
Utilities	19,475	8,426	15,934	5,538
Postage	309	171	281	270
Printing and publicity	1,357	2,247	3,044	3,925
Supplies	7,516	1,081	43,106	8,255
Local transportation and parking	483	463	8,516	751
Conferences and education	4,877	-	4,853	190
Fundraising expenses	-	-	-	-
Equipment purchases	78	-	78	79
Van expense	-	-	1,616	-
Technology	4,801	4,360	8,049	3,944
Food program	-	-	26,951	9,717
HUD grant expenditures	-	-	-	-
Finance charges	-	-	1,901	1,231
Recognition	-	-	143	255
<b>TOTAL OTHER</b>	<b>60,333</b>	<b>22,709</b>	<b>150,687</b>	<b>54,480</b>
<b>DEPRECIATION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INTEREST EXPENSE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 384,204</b>	<b>\$ 51,092</b>	<b>\$ 794,114</b>	<b>\$ 215,897</b>

See accompanying notes to financial statements

**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN****Statement of Functional Expenses****Year Ended December 31, 2017**

	<b>Total Program Activities</b>	<b>Support Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
<b>PAYROLL AND BENEFITS</b>				
Salaries and wages	\$ 982,690	\$ 114,495	\$ 68,140	\$ 1,165,325
Payroll taxes	71,609	8,249	4,909	84,767
Employee Benefits	73,408	42,332	4,045	119,785
Unemployment	17,271	5,144	-	22,415
Workers' compensation	12,120	1,405	840	14,365
<b>TOTAL PAYROLL AND BENEFITS</b>	<b>1,157,098</b>	<b>171,625</b>	<b>77,934</b>	<b>1,406,657</b>
<b>OTHER</b>				
Professional fees	12,592	1,851	-	14,443
Telephone	10,402	3,391	-	13,793
Repairs and maintenance	44,995	20,935	-	65,930
Insurance	15,949	6,968	-	22,917
Utilities	49,373	7,729	-	57,102
Postage	1,031	534	-	1,565
Printing and publicity	10,573	752	-	11,325
Supplies	59,958	3,995	-	63,953
Local transportation and parking	10,213	2,511	-	12,724
Conferences and education	9,920	4,228	-	14,148
Fundraising expenses	-	-	14,076	14,076
Equipment purchases	235	644	-	879
Van expense	1,616	-	-	1,616
Technology	21,154	7,119	-	28,273
Food program	36,668	-	-	36,668
HUD grant expenditures	-	-	-	-
Finance charges	3,132	1,570	-	4,702
Recognition	398	755	-	1,153
<b>TOTAL OTHER</b>	<b>288,209</b>	<b>62,982</b>	<b>14,076</b>	<b>365,267</b>
<b>DEPRECIATION</b>	<b>-</b>	<b>90,905</b>	<b>-</b>	<b>90,905</b>
<b>INTEREST EXPENSE</b>	<b>-</b>	<b>2,359</b>	<b>-</b>	<b>2,359</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,445,307</b>	<b>\$ 327,871</b>	<b>\$ 92,010</b>	<b>\$ 1,865,188</b>

See accompanying notes to financial statements



**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN****Statements of Cash Flows****Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 120,751	\$ 320,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	94,341	90,905
Unrealized (gains) losses on investments	650,556	(213,211)
Realized (gains) on investments	(488,432)	(152,179)
Loss on disposal of assets	6,818	-
(Increase) decrease in assets		
State unemployment bond	8,040	3
Accounts/grants receivable	(31,986)	12,882
Prepaid expenses	-	(2,148)
Increase (decrease) in liabilities		
Accounts payable	(56,548)	64,892
Accrued expenses	1,323	2,264
Deferred revenue	(3,000)	(2,000)
Deposits held in escrow	1,855	(4,756)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>303,718</u>	<u>117,438</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(326,132)	(363,283)
Purchase of investments	(3,348,751)	(882,647)
Proceeds from sale of investments	3,340,561	904,955
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(334,322)</u>	<u>(340,975)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	177,784	232,590
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>177,784</u>	<u>232,590</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>147,180</b>	<b>9,053</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>138,838</u>	<u>129,785</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><b>\$ 286,018</b></u>	<u><b>\$ 138,838</b></u>

See accompanying notes to financial statements



**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN**

**Statements of Cash Flows**

**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 13,372</u>	<u>\$ 2,359</u>

See accompanying notes to financial statements

## **THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN**

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### **Notes to Financial Statements**

**December 31, 2018 and 2017**

#### **NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Nature of activities**

The Organization provides a safe and health space for women, children and families to live, learn and thrive. The Organization provides early learning for children ages six weeks to sixth grade as well as shelter, housing location, and rapid re-housing assistance for homeless women, children and families.

The Organization's sources of funds are from public support, program service fees, and sales to the public. In addition to the aforementioned sources, the Organization receives funds on a fee-for-service basis from Northampton County, State of Pennsylvania, and the Federal Government. The majority of the resources are unrestricted and are used in the general operations of the Organization. The Organization at times will be named as a beneficiary of an estate to which it receives bequests.

##### **Basis of accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

##### **Basis of presentation**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) in its Accounting Standards Update (ASU) No. 2016-14, which provides guidance for the classification of net assets. The amounts for each of the two classes of net assets are based on the existence or absence of donor-imposed restrictions described as follows:

**Net assets without donor restrictions** – net assets of the Organization whose use has not been restricted by an outside donor or law. They are available for any use carrying out the operations of the Organization. This class also includes assets previously restricted where restrictions have expired or been met.

**Net assets with donor restrictions** – net assets of the Organization whose use has been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Organization. When such stipulations end or are fulfilled, the net assets with donor restrictions are released to net assets without donor restrictions. Certain restrictions may need to be maintained in perpetuity.

## **THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN**

### **Notes to Financial Statements**

**December 31, 2018 and 2017**

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#### **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Property and equipment**

Acquisitions of property and equipment generally in excess of \$1,000 are capitalized. Lesser amounts are expensed. Property and equipment are carried at cost or, if donated, at the approximate fair value at the time or date of the donation. Depreciation is computed using primarily the straight-line method. The useful lives of the assets are as follows:

Building and improvements	3–99 years
Furniture and equipment	3–20 years

#### **Contributions**

Contributions are recorded as revenue when an unconditional promise to give is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as nets assets with donor restrictions.

When donor restriction expires, net assets with donor restrictions are reclassified to nets assets without donor restrictions and reported in the statement of activities as nets assets released from restrictions.

#### **Income taxes**

The Organization is a non-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The income tax returns from 2015, 2016, 2017, and 2018 are subject to IRS review, generally for three years after they are filed.

#### **Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows include all monies in banks and certificates of deposit, if any, with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates the fair value because of the short maturities of those financial instruments. Cash and cash equivalents do not include cash held in endowment funds.



## **THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN**

### **Notes to Financial Statements**

**December 31, 2018 and 2017**

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#### **Investments**

The Organization has adopted SFAS No.124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change of net assets if their restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

#### **Fair Value Measurement**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurement and Disclosure*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.



### **THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN**

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

**December 31, 2018 and 2017**

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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

*US Government Securities and Common Stock* : Valued at the closing price reported in the active market in which the security is traded.

*Corporate Bonds* : Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded.

*Mutual Funds* : Mutual Funds are valued at the closing price reported in the active market in which the fund is traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at reporting date.

#### **Functional allocation of expenses**

The costs of providing various programs have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the various programs and support services. Supporting services consist of management and general and fundraising expenses.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, certain expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimated of time and effort or on the basis of square footage.

#### **Change in Accounting Principle**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not for profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model. The changes include reducing the classes of net assets from three to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ended December 31, 2018 and thereafter and must be applied on a retroactive basis. The Organization adopted the ASU effective January 1, 2018.

**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN****Notes to Financial Statements****December 31, 2018 and 2017**

Adoption of the ASU did not result in any restatement to net assets or changes in net assets.

**Date of management's review**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 18, 2019, the date the financial statements were available to be issued.

**NOTE 2. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 53,057	\$ 53,057
Building and improvements	2,919,812	2,637,174
Furniture and equipment	<u>340,819</u>	<u>604,010</u>
Total	3,313,688	3,294,241
Less: accumulated depreciation	<u>1,644,138</u>	<u>1,849,664</u>
Total	<u>\$ 1,669,550</u>	<u>\$ 1,444,577</u>

Depreciation expense for the years ended December 31, 2018 and 2017 is \$94,341 and \$90,905, respectively.

**NOTE 3. INVESTMENTS**

As of December 31, 2018 and 2017, the fair value measurement of all investments has been determined as Level 1 hierarchy investments. The cost and fair values of the Organization's investments are as follows:

**December 31, 2018**

<u>Unrestricted Funds</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 230,658	\$ 230,658
Equity securities	1,093,893	906,572
Debt securities	<u>377,497</u>	<u>374,095</u>
Total	<u>\$ 1,703,048</u>	<u>\$ 1,511,325</u>
 <u>Restricted Funds</u>		
Cash equivalents	\$ 12,461	\$ 12,461
Equity securities	702,576	581,344
Debt securities	<u>283,927</u>	<u>282,423</u>
Total	<u>\$ 998,964</u>	<u>\$ 876,228</u>



**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN****Notes to Financial Statements****December 31, 2018 and 2017**December 31, 2017

<u>Unrestricted Funds</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 79,742	\$ 79,742
Equity securities	879,683	1,199,750
Debt securities	313,926	312,650
Total	<u>\$ 1,273,351</u>	<u>\$ 1,592,142</u>

<u>Restricted Funds</u>		
Cash equivalents	\$ 15,490	\$ 15,490
Equity securities	510,135	722,576
Debt securities	212,565	211,279
Total	<u>\$ 738,190</u>	<u>\$ 949,345</u>

The following schedule summarizes the investment income (loss) and its classification in the statement of activities for the years ended December 31, 2018 and 2017.

December 31, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Interest and dividends	\$ 75,678	\$ 46,089	\$ 121,767
Net gains (losses)	(101,152)	(60,972)	(162,124)
Investment expenses	<u>(16,747)</u>	<u>-</u>	<u>(16,747)</u>
Total investment income (loss)	<u>\$ (42,221)</u>	<u>\$ (14,883)</u>	<u>\$ (57,104)</u>

December 31, 2017:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Interest and dividends	\$ 34,968	\$ 19,733	\$ 54,701
Net gains (losses)	220,018	145,372	365,390
Investment expenses	<u>(20,656)</u>	<u>-</u>	<u>(20,656)</u>
Total investment income (loss)	<u>\$ 234,330</u>	<u>\$ 165,105</u>	<u>\$ 399,435</u>

As of December 31, 2018, the fund distributed \$113,213 to the Organization, including fees. As of December 31, 2017, a total of \$77,007 was distributed.

**NOTE 4. 403(b) RETIREMENT PLAN**

The Organization sponsors a defined contribution retirement plan for all employees over 20 years of age or older and having one year of service. The Plan provides for

### **THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN**

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

**December 31, 2018 and 2017**

pretax contributions to the Plan up to limits defined in Section 403(b) of the Internal Revenue Code. The Organization may elect annually to make matching or other discretionary contributions to the Plan. The Organization has not made any matching or discretionary contributions to the Plan for the years ended December 31, 2018 and 2017.

#### **NOTE 5. LINES OF CREDIT**

The Organization has a \$150,000 line of credit with Merchants Bank of Bangor. Expiration date is November 11, 2019. The 41 North Third Street building is collateral for the line. Interest on outstanding borrowings is payable at 5.00%, at December 31, 2018. The balance due as of December 31, 2018 and 2017 was \$113,422 and \$32,590, respectively.

On December 8, 2016 the Organization obtained \$500,000 line of credit with Merchants Bank of Bangor. A portion of the unrestricted investment account was collateral for the line of credit. Interest on outstanding borrowings was payable at 4.10% at December 31, 2017. The balance due as of December 31, 2017 was \$200,000. The line of credit was converted to a term loan during the year ended December 31, 2018. See Note 6.

#### **NOTE 6. LONG-TERM DEBT**

As discussed in Note 5, the outstanding balance of the \$500,000 line of credit with Merchants Bank of Bangor was converted to a \$300,000 term loan.

	<u>2018</u>	<u>2017</u>
Note payable – Merchants Bank		
84 payments of \$4,099, includes interest at 4.10%.		
Collateral for the loan includes a lien of \$428,571		
on the unrestricted investments account.		
Final payment due November, 2025.	\$ 296,949	\$ -
	296,949	-
Less current maturities	(37,712)	-
	<u>\$ 259,237</u>	<u>\$ -</u>



**THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN****Notes to Financial Statements****December 31, 2018 and 2017**

Maturities of long-term debt as of December 31, 2018 are as follows:

Year ending December 31	
2019	\$ 37,712
2020	39,287
2021	40,929
2022	42,638
2023	44,420
thereafter	91,963
	<u>\$ 296,949</u>

**NOTE 7. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditures, that is without donor restrictions limiting their use within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 286,019
Investments, unrestricted	1,511,325
Accounts receivable	101,294
	<u>\$ 1,898,638</u>

The Organization's endowment fund consist of a donor restricted endowment. Income from the endowment can be used for general expenditures. The income is disbursed following the guidelines set forth in Note 8.

As part of the Organizations liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$150,000, which it could draw upon.

**NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2018 and 2017, the donor restricted net assets, unexpended funds received for programming purposes, consisted of the following:

	2018	2017
Subject to expenditures for specified purpose	\$ 173,016	\$ 11,437
Perpetual in nature, endowment investments	876,228	949,345
	<u>\$ 1,049,244</u>	<u>\$ 960,782</u>

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**NOTE 9. NET ASSETS IN ENDOWMENT FUND**

Changes in endowment net assets as of December 31, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 949,345	\$ 949,345
Investment income		46,089	46,089
Net appreciation (depreciation)		(60,972)	(60,972)
Withdrawals and fees	-	(58,234)	(58,234)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 876,228</u>	<u>\$ 876,228</u>

Changes in endowment net assets as of December 31, 2017 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 848,477	\$ 848,477
Investment income		103,322	103,322
Net appreciation (depreciation)		61,783	61,783
Withdrawals and fees	-	(64,237)	(64,237)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 949,345</u>	<u>\$ 949,345</u>

On September 21, 2011 the Board elected to adopt Pennsylvania Act 141 which governs the rules of how a non-profit can invest and spend the income from restricted funds. In the absence of donor specifications, the Board of Directors may elect the spending rate in future years as follows.

Organizations must make a choice between two basic strategies:

- Principal and Income – Organization may only spend restricted endowment funds' income, primarily interest and dividends, not the capital gains or the principal.
- Total Return Policy – Organizations may elect under this Act to follow a "total return policy" for the determination of income from a restricted endowment. Total return includes the interest, dividends, and net capital appreciation, both realized and unrealized. Annual spending is on a percentage of the fair



### **THIRD STREET ALLIANCE FOR WOMEN AND CHILDREN**

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

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market value of the investments in the restricted endowment. The board of directors may elect to spend between 2 and 7 percent of the fair market value of the investment in the restricted endowment.

The Board elected to use the Total Return Policy. The endowment must maintain a balance of at least \$750,000 per the donor's instruction.

#### *Underwater Endowment Funds*

The fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or the relevant state law requires the Organization to retain as a fund of perpetual duration. In accordance with the Organization's investment policy, endowment funds with donor restrictions are reported as the original value of initial and subsequent gifts. As a result, there were no deficiencies reported as of December 31, 2018 and 2017.

#### **NOTE 10. CONCENTRATION OF CREDIT RISKS**

The Organization maintains its cash and cash equivalents in bank accounts, which at times may exceed federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks related to its cash and cash equivalents.

#### **NOTE 11. SUBSEQUENT EVENTS**

The Organization contracted an architectural firm to conduct an audit of the building and systems. The firm created a prioritization matrix of potential repairs and facilities upgrades to be conducted over the next 20 years. The total cost would approximate \$1,835,000. Management and the board are creating a long-term capital budget plan to address the issues per the study.

The Organization received notice of a lawsuit filed in Northampton County Court, due to a delivery person that slipped and fell on steps while making a delivery. The Organization intends to vigorously defend the claim and it is not anticipated that the complainant will prevail in the claim. However, the amount of claim and the amount of any potential liability is not able to be determined at this time. The potential liability is not anticipated to be beyond the organizations liability policy coverage less their deductible.