

**FAMILY PROMISE OF HARRISBURG
CAPITAL REGION**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Family Promise of Harrisburg Capital Region
Lemoyne, Pennsylvania

We have reviewed the accompanying financial statements of Family Promise of Harrisburg Capital Region (a nonprofit organization), which comprise the statements of assets, liabilities and net assets - modified cash basis as of June 30, 2019 and 2018, and the related statements of support and revenue, expenses and changes in net assets - modified cash basis and statements of functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to the basis of accounting note of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Emphasis of matter - change in accounting principle

As described in the notes to the financial statements titled *recent accounting standards*, the Organization implemented this new accounting guidance, ASU 2016-14, "*Not for Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*".



GREENAWALT & COMPANY, P.C.

November 19, 2019

Mechanicsburg, Pennsylvania

FAMILY PROMISE OF HARRISBURG CAPITAL REGION**STATEMENTS OF ASSETS, LIABILITIES
AND NET ASSETS - MODIFIED CASH BASIS**

JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents - unrestricted	\$ 97,341	\$ 143,932
Cash and cash equivalents - restricted	-	33,054
Total current assets	<u>97,341</u>	<u>176,986</u>
Property and equipment		
Building	568,954	268,187
Vehicles	39,588	39,588
Office equipment & furniture	3,545	3,545
	<u>612,087</u>	<u>311,320</u>
Less accumulated depreciation	37,639	21,194
	<u>574,448</u>	<u>290,126</u>
Total assets	<u>\$ 671,789</u>	<u>\$ 467,112</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Payroll liabilities	\$ 3,629	\$ 3,299
Due to guests	110	55
Mortgage payable, current portion	4,805	4,564
Total current liabilities	<u>8,544</u>	<u>7,918</u>
Long-term liabilities		
Mortgage payable, noncurrent portion	136,589	141,286
Total liabilities	<u>145,133</u>	<u>149,204</u>
Net assets		
Without donor restrictions	522,111	284,854
With donor restrictions	4,545	33,054
Total net assets	<u>526,656</u>	<u>317,908</u>
Total liabilities and net assets	<u>\$ 671,789</u>	<u>\$ 467,112</u>

See accompanying notes and independent accountant's review report

FAMILY PROMISE OF HARRISBURG CAPITAL REGION
STATEMENTS OF SUPPORT AND REVENUE, EXPENSES
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Total	Total	Total	Total
Operating activities				
Support and revenue				
Grants	\$ 344,455	\$ 4,545	\$ 349,000	\$ 33,054
Contributions	61,833	-	61,833	-
Fundraising events	18,062	-	18,062	-
Interest	218	-	218	-
Net assets released from restriction				
Satisfaction of program restrictions	33,054	(33,054)	-	(73,128)
	<u>457,622</u>	<u>(28,509)</u>	<u>429,113</u>	<u>(40,074)</u>
Total support and revenue			414,048	373,974
Expenses				
Program services	102,509	-	102,509	-
General and administrative	49,554	-	49,554	-
Fundraising	68,302	-	68,302	-
	<u>220,365</u>	<u>-</u>	<u>220,365</u>	<u>-</u>
Total expenses			188,383	188,383
Changes in net assets	237,257	(28,509)	208,748	(40,074)
Net assets, beginning	284,854	33,054	317,908	73,128
Net assets, ending	<u>\$ 522,111</u>	<u>\$ 4,545</u>	<u>\$ 526,656</u>	<u>\$ 33,054</u>
			\$ 284,854	\$ 317,908

See accompanying notes and independent accountant's review report.

FAMILY PROMISE OF HARRISBURG CAPITAL REGION
STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018				
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 45,380	\$ 21,181	\$ 51,668	\$ 118,229	\$ 46,371	\$ 21,623	\$ 49,236	\$ 117,230
Payroll taxes	4,051	1,742	4,255	10,048	4,203	1,903	4,388	10,494
Occupancy, rent, utilities, maintenance	36,686	6,474	-	43,160	19,656	3,469	-	23,125
Vehicle expenses	11,308	-	-	11,308	8,078	-	-	8,078
Direct program expenses	3,334	-	-	3,334	1,509	-	-	1,509
Insurance and fees	-	6,587	-	6,587	-	5,775	-	5,775
Professional fees	-	5,175	-	5,175	-	3,575	-	3,575
Telephone and telecommunications	-	3,234	-	3,234	-	3,379	-	3,379
Travel and mileage	1,750	829	2,025	4,604	1,802	100	100	2,002
Office supplies	-	2,133	-	2,133	-	2,128	-	2,128
Printing, publications, postage/shipping	-	449	-	449	-	665	-	665
Affiliate fees	-	1,750	-	1,750	-	2,105	-	2,105
Fundraising expenses	-	-	10,354	10,354	-	-	8,318	8,318
Total functional expenses	\$ 102,509	\$ 49,554	\$ 68,302	\$ 220,365	\$ 81,619	\$ 44,722	\$ 62,042	\$ 188,383

See accompanying notes and independent accountant's review report.

FAMILY PROMISE OF HARRISBURG CAPITAL REGION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Family Promise of Harrisburg Capital Region (FPHCR) treats the symptoms of and provides a cure for the hardship created by homelessness related to family life in the Harrisburg Capital Region. Shelter is provided to families who have recently lost their homes, as well as providing them with resources needed to stay healthy, obtain housing, find a job, etc. Services are provided through a network of local churches staffed by volunteers and also through their new Day Center located in Camp Hill, PA.

Basis of accounting

The Organization presents its financial statements using the modified cash basis of accounting. Under this basis, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. The Organization has incorporated logical modifications to the pure cash basis to increase understanding and usefulness by the users of the financial statements. Modifications made to the cash basis included capitalization of the Organization's property, vehicles and office equipment, recording of depreciation, thereon, recording of long-term debt incurred to purchase the new property and recording of any payroll taxes and other current liabilities outstanding as of the date of the financial statements.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Organizations are required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Measure of operations

The statements of support and revenue, expenses and changes in nets assets - modified cash basis reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing programs. There were no nonoperating activities in 2019 or 2018.

FAMILY PROMISE OF HARRISBURG CAPITAL REGION

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

JUNE 30, 2019 AND 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Contributions, grants and donated materials and services

All contributions and grants are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions and grants received with restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restriction.

The Organization receives substantial services donated by volunteers interested in the programs and services provided by the Organization to the community. Because of the difficulty in assigning values for these services, those items are not reflected in this financial statement. When the value of substantial or specialized donated services or specific donated materials is ascertainable, they may be reflected in the financial statements as support received and expenses paid, however, under the modified cash basis of accounting generally only cash received or paid is recorded in these financial statements unless the Organization has opted to record as one of its modifications to cash basis.

Use of estimates

The preparation of financial statements on the modified cash basis of accounting requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all highly liquid debt instruments with maturities of 90 days or less to be cash equivalents and includes cash on deposit with financial institutions in checking, savings and money market accounts, since the Organization owns no cash equivalents.

Property and equipment

Property and equipment is stated at cost and depreciated on the straight-line method based on the following useful lives:

Building	39 years
Vehicles	5 years
Equipment	5 years

FAMILY PROMISE OF HARRISBURG CAPITAL REGION

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

JUNE 30, 2019 AND 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Income taxes

The Organization is a non-profit organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The standards require an assessment of the Organization's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously filed tax returns. Examples of tax positions taken at the entity level include the continuing validity of its 501(c)(3) status, potential unrelated business activities and other tax positions that could result in income taxes to the Organization upon examinations by taxing authorities. Any tax benefits associated with uncertain tax positions that are in excess of a realization threshold would be recorded as a liability for unrecognized tax benefits in the financial statements, along with any associated interest and penalties. Presently, management believes that it is more likely than not that its tax position will be sustained upon examination, including any appeals and litigation, and therefore believes that the Organization has no exposure to the income taxes from uncertain tax positions.

The Organization's Federal Exempt Organization Income Tax Returns (Form 990) for 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Functional expenses

The costs of providing Organization programs and supporting services has been summarized on a functional basis in the statements of support and revenue, expenses and changes in net assets - modified cash basis. Certain expenses are charged directly to program or supporting services based on specific identification. Indirect expenses have been allocated by management based on reasonable allocation methods.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Payroll taxes	Time and effort
Occupancy, rent, utilities and maintenance	Actual use
Travel and mileage	Time and effort

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 19, 2019, the date the financial statements were available to be issued.

FAMILY PROMISE OF HARRISBURG CAPITAL REGION

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

JUNE 30, 2019 AND 2018

NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issued ASU 2016-14, *“Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities”*. This amendment aims to improve how a nonprofit Organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classifications, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets, and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment funds. The Organization has implemented ASU 2016-14 in the current year. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

ASU 2014-09, *“Revenue from Contracts with Customers,”* is effective for the Organization’s financial statements for the year ending June 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with transfer of promised goods or services to customers and related disclosures.

ASU 2018-08, *“Topic 958, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made”*, is effective for the Organization’s financial statements for the year ending June 30, 2020. The new guidance clarifies what an exchange transaction, of which revenues would be reported under Topic 606, and what is a contribution reported under Topic 958.

ASU 2016-02, *“Leases (Topic 842),”* effective for the Organization’s financial statements for the year ending June 30, 2021. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

There are other FASB pronouncements that will become effective for future reporting periods. The Organization has not evaluated the impact on the Organization’s financial statements from these pronouncements.

CASH AND CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at a local financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$ 250,000. At June 30, 2019 and 2018, the Organization’s cash balance did not exceed the \$ 250,000 insured limit.

FAMILY PROMISE OF HARRISBURG CAPITAL REGION

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

JUNE 30, 2019 AND 2018

PROPERTY AND EQUIPMENT

A summary of property and equipment consisted of the following at June 30:

	2019			2018		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Building	\$ 568,954	\$ 14,906	\$ 554,048	\$ 268,187	\$ 4,011	\$ 264,176
Vehicles	39,588	20,338	19,250	39,588	15,497	24,091
Office equipment and furniture	3,545	2,395	1,150	3,545	1,686	1,859
	<u>\$ 612,087</u>	<u>\$ 37,639</u>	<u>\$ 574,448</u>	<u>\$ 311,320</u>	<u>\$ 21,194</u>	<u>\$ 290,126</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$ 16,445 and \$ 6,271, respectively.

MORTGAGE LOAN PAYABLE

In November 2018, the Organization entered into a mortgage to purchase property at 56 Erford Road in Camp Hill, Pennsylvania as the new Day Center facility. The Organization financed \$ 148,363. The loan bears interest of 5.16% for a term of 20 years with a monthly payment of \$ 998. The loan matures September 2037. Interest expense paid on the mortgage for June 30, 2019 and 2018 was \$ 7,525 and \$ 4,476, respectively. Scheduled principal maturities at June 30 are as follows:

2020	\$ 4,805
2021	5,059
2022	5,327
2023	5,608
2024	5,905
Thereafter	114,690

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018 consisted of the following:

During the year ended June 30, 2019, the Organization received grants and contributions from local foundations and other nonprofit organizations totaling \$ 6,000 restricted for various programs and expenditures. As of June 30, 2019, the Organization had expended \$ 1,455 of these restricted funds during the year, with the remaining amounts from these grants temporarily restricted at June 30, 2019 totaling \$ 4,545.

FAMILY PROMISE OF HARRISBURG CAPITAL REGION

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

JUNE 30, 2019 AND 2018

NET ASSETS WITH DONOR RESTRICTIONS (Cont'd.)

During the year ended June 30, 2018, the Organization received grants and contributions from local foundations and other nonprofit organizations totaling \$ 61,000 restricted for various programs and expenditures. As of June 30, 2018, the Organization had expended \$ 27,946 of these restricted funds during the year, with the remaining amounts from these grants temporarily restricted at June 30, 2018 totaling \$ 33,054.

DAY CENTER LEASE

The Organization had a 12 month lease with a local church to rent space for operating its "Day Center" through December 31, 2018, called for monthly rent of \$ 200 payable to the Church. Rent paid for the years ending June 30, 2019 and 2018 on this lease was \$ 1,200 and \$ 2,400, respectively. Additionally, the Organization entered into a 12 month lease in May 2019 with St. Paul's Evangelical Lutheran Church for their "Transitional Housing Program". Rent is payable monthly at \$ 600 beginning May 2019 and included additional month's rent as security deposit for total paid for year ending June 30, 2019 of \$ 1,800.

CONTINGENCIES

The Organization may be subject to various claims and litigation in the course of providing its services to the general public. In the opinion of the Organization's management, there are no claims or litigation that will have a material effect on the financial operations of the Organization.

AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available for general expenses within one year of the statements of activities at June 30, 2019:

Financial assets at year end	
Cash and cash equivalents	\$ <u>97,341</u>
Total financial assets	<u>97,341</u>
Less amounts not available to be used within one year	
Net assets with donor restrictions	<u>4,545</u>
Financial assets available to meet general expenses within one year	<u>\$ 92,796</u>