

**FAMILY PROMISE
OF SOUTHERN CHESTER COUNTY**

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Family Promise of Southern Chester County
Kennett Square, Pennsylvania

We have reviewed the accompanying financial statements of Family Promise of Southern Chester County (a non-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. 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 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.

Accountants' 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 statement for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, 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 accounting principles generally accepted in the United States of America.

Umbreit, Wileczek & Associates, P. C.

Kennett Square, PA
May 21, 2020

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 291,329	\$ 303,769
Accounts and grants receivable	21,642	-
Promises to give	10,850	-
Prepaid rent	<u>1,500</u>	<u>-</u>
TOTAL CURRENT ASSETS	325,321	303,769
Property and equipment, net	<u>3,607</u>	<u>10,829</u>
TOTAL ASSETS	<u>\$ 328,928</u>	<u>\$ 314,598</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 427	\$ 2,070
Deferred revenue	<u>-</u>	<u>5,000</u>
TOTAL CURRENT LIABILITIES	427	7,070
NET ASSETS		
Without donor restrictions:		
Growth Initiatives Fund	60,000	60,000
Undesignated	<u>178,095</u>	<u>239,408</u>
Total without donor restrictions	238,095	299,408
With donor restrictions	<u>90,406</u>	<u>8,120</u>
TOTAL NET ASSETS	<u>328,501</u>	<u>307,528</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 328,928</u>	<u>\$ 314,598</u>

See Independent Accountants' Review Report and Notes to Financial Statements

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Contributions	\$ 191,573	\$ 103,350	\$ 294,923
Fundraising event, net of expenses of \$45,991	99,405	-	99,405
Donated in-kind	22,807	-	22,807
Interest	4,194	-	4,194
Program income	245	-	245
Net assets released from restrictions	21,064	(21,064)	-
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	339,288	82,286	421,574
EXPENSES			
Program services	283,720	-	283,720
Supporting services			
Management and general	37,572	-	37,572
Fundraising	79,309	-	79,309
TOTAL EXPENSES	400,601	-	400,601
CHANGES IN NET ASSETS	(61,313)	82,286	20,973
NET ASSETS - BEGINNING OF YEAR	299,408	8,120	307,528
NET ASSETS - END OF YEAR	\$ 238,095	\$ 90,406	\$ 328,501

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2018
SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Contributions	\$ 231,601	\$ 5,120	\$ 236,721
Fundraising event, net of expenses of \$35,801	87,816	-	87,816
Donated in-kind	5,000	-	5,000
Interest	2,643	-	2,643
Net assets released from restrictions	17,797	(17,797)	-
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	344,857	(12,677)	332,180
EXPENSES			
Program services	251,886	-	251,886
Supporting services			
Management and general	36,773	-	36,773
Fundraising	28,188	-	28,188
TOTAL EXPENSES	316,847	-	316,847
CHANGES IN NET ASSETS	28,010	(12,677)	15,333
NET ASSETS - BEGINNING OF YEAR	271,398	20,797	292,195
NET ASSETS - END OF YEAR	\$ 299,408	\$ 8,120	\$ 307,528

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total 2019
COMPENSATION RELATED				
Salaries	\$ 133,377	\$ 9,294	\$ 56,169	\$ 198,840
Payroll taxes and insurance	11,732	816	4,930	17,478
Employee benefits	4,397	517	259	5,173
TOTAL COMPENSATION RELATED	<u>149,506</u>	<u>10,627</u>	<u>61,358</u>	<u>221,491</u>
RESOURCE CENTER FACILITY				
Occupancy	25,928	4,873	229	31,030
Maintenance and repairs	7,003	844	-	7,847
Supplies	27,229	-	-	27,229
Transportation	3,456	-	-	3,456
Program expenses	34,045	-	-	34,045
TOTAL CLIENT ASSISTANCE	<u>97,661</u>	<u>5,717</u>	<u>229</u>	<u>103,607</u>
Association fees	-	5,797	-	5,797
Bank fees	-	783	784	1,567
Depreciation	6,379	842	-	7,221
Donations	1,695	-	-	1,695
Fundraising	-	-	5,505	5,505
Insurance	8,652	3,708	-	12,360
Marketing	6,587	-	6,588	13,175
Miscellaneous	-	1,329	-	1,329
Office expense	923	913	721	2,557
Postage	-	548	-	548
Printing	367	25	154	546
Professional fees	8,885	6,949	3,734	19,568
Training	1,236	136	137	1,509
Travel	1,829	198	99	2,126
	<u>36,553</u>	<u>21,228</u>	<u>17,722</u>	<u>75,503</u>
TOTAL EXPENSE	<u>\$ 283,720</u>	<u>\$ 37,572</u>	<u>\$ 79,309</u>	<u>\$ 400,601</u>

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total 2018
COMPENSATION RELATED				
Salaries	\$ 129,452	\$ 8,150	\$ 16,196	\$ 153,798
Payroll taxes and insurance	11,247	702	1,396	13,345
Employee benefits	4,292	505	253	5,050
TOTAL COMPENSATION RELATED	<u>144,991</u>	<u>9,357</u>	<u>17,845</u>	<u>172,193</u>
RESOURCE CENTER FACILITY				
Occupancy	26,807	5,106	-	31,913
Maintenance and repairs	7,916	1,155	-	9,071
Supplies	11,807	-	-	11,807
Transportation	3,824	-	-	3,824
Program expenses	18,291	-	-	18,291
TOTAL CLIENT ASSISTANCE	<u>68,645</u>	<u>6,261</u>	<u>-</u>	<u>74,906</u>
Association fees	-	5,120	-	5,120
Bank fees	-	503	504	1,007
Depreciation	6,806	459	-	7,265
Donations	136	-	-	136
Fundraising	-	-	416	416
Insurance	7,925	3,397	-	11,322
Marketing	10,793	2,159	8,635	21,587
Miscellaneous	-	1,268	-	1,268
Office expense	3,925	247	491	4,663
Postage	-	838	-	838
Printing	292	18	37	347
Professional fees	6,417	6,918	146	13,481
Training	409	46	23	478
Travel	1,547	182	91	1,820
	<u>38,250</u>	<u>21,155</u>	<u>10,343</u>	<u>69,748</u>
TOTAL EXPENSES	<u>\$ 251,886</u>	<u>\$ 36,773</u>	<u>\$ 28,188</u>	<u>\$ 316,847</u>

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 20,973	\$ 15,333
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	7,221	7,265
(Increase) decrease in operating assets:		
Accounts receivable	(21,642)	-
Promises to give	(10,850)	-
Prepaid rent	(1,500)	-
Increase (decrease) in operating liabilities:		
Accrued expenses	(1,642)	917
Deferred revenue	(5,000)	5,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(12,440)	28,515
NET INCREASE (DECREASE) IN CASH	(12,440)	28,515
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	303,769	275,254
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 291,329	\$ 303,769

See Independent Accountants' Review Report and Notes to Financial Statements

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018****NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**Nature of Activities

Family Promise of Southern Chester County (the “Organization”) was founded in 2014 and is dedicated to preventing and ending homelessness among working parents with dependent children in Southern Chester County, Pennsylvania. The Organization provides shelter, food, financial assistance, social services and mentoring support to enable families to remain in clean, safe, affordable housing while they work towards independence. This includes training to improve or develop capabilities for increasing income and decreasing expenses.

The Organization operates under a licensing agreement with Family Promise, a New Jersey not-for-profit corporation based in Summit, New Jersey. The Organization must follow specific contingencies outlined in the agreement, including payment of annual affiliate dues to Family Promise, in order to continue operating as “Family Promise”.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-10-65-1, the Organization is required to report information regarding its financial position and activities according to two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions is the part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018****NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Net Assets with Donor Restrictions (Cont'd)

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

Net Assets without Donor Restrictions

Net assets without donor restrictions is the part of net assets of the Organization that is not subject to donor-imposed restrictions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include checking accounts, money market accounts, and certificates of deposit with an original maturity of three months or less.

The Organization maintains cash and cash equivalent balances at local financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. In the normal course of business, the Organization may have deposits that exceed the insured limit. Balances in excess of insured amounts at December 31, 2019 and 2018 were \$48,191 and \$45,845, respectively.

Contributions and Grants

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grant revenues are recognized when received or when spent, whichever occurs first. Contributions are recorded at fair value, which is net of estimated uncollectible amounts.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair market value if expected to be collected in more than one year.

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018****NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Promises to Give (Cont'd)

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization estimates that all of its promises to give are collectible; accordingly, there is no provision for an allowance for doubtful accounts. If amounts become uncollectible, they will be charged to operations when that determination is made. As of December 31, 2019 and 2018, the Organization has deemed all monies owed collectible.

Accounting principles generally accepted in the United States of America require that promises to give received after one year be discounted. As of December 31, 2019, all promises to give are due within one year and, therefore; no discount has been recorded.

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services. Resource Center Facility expenses are costs for the building, supplies for clients, and other client service costs. Fundraising expenses are costs related to campaigns, development, grant writing, and other fundraising efforts. Management and general expenses are costs directly related to the overall operation of the Organization, but are not associated with program or fundraising services. Certain management and general expenses, such as payroll, occupancy, and professional fees, are allocated to program and fundraising services based on the usage of employees' time and other resources available.

Donated Materials and Services

Certain contributed services, materials, and facilities were provided to develop and maintain the programs of the Organization; the value of the contributed time and materials is reflected in the financial statements if they meet the criteria for recognition under FASB ASC 958-605, which require that they (1) create or enhance long-lived assets or (2) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the years ended December 31, 2019 and 2018, the Organization received contributed professional services and materials with a fair market value of \$22,807 and \$5,000, respectively.

During the years ended December 31, 2019 and 2018, 745 and 600 volunteers, respectively, donated 10,895 and 14,708 hours of service, respectively.

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided by the use of the straight-line method over the prescribed lives of the related assets, which is currently fifteen years for building improvements and five years for all other property and equipment.

Advertising

The costs of advertising are expensed as incurred. Advertising expense was \$13,175 and \$21,587 for the years ended December 31, 2019 and 2018, respectively.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for certain activities not directly related to the Organization's tax-exempt purpose.

In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Date of Management Approval

Management has evaluated subsequent events through May 21, 2020, the date the financial statements were available to be issued and determined there were no other items to be disclosed.

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2019, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

Financial assets:	
Cash and cash equivalents	\$ 291,329
Accounts receivable	21,642
Promises to give	10,850
Less: donor restrictions	<u>(90,406)</u>
Total financial assets available within one year	<u>\$ 233,415</u>

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018****NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Cont'd)**

The Organization's cash flows have seasonal variations during the year attributable to the timing of contributions received. To manage liquidity, the Organization maintains a money market account that may be drawn upon as needed during the year to manage cash flows.

NOTE 3 – FAIR VALUE MEASUREMENTS

Accounting standards require that assets that are measured at fair value be categorized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs.

If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted market prices for identical assets and liabilities in active markets.
- Level 2 – Unadjusted quoted market prices for similar assets and liabilities in active markets (other than those included in Level 1), which are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- Level 3 – Significant unobservable inputs for the asset or liability.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Promises to give fall under Level 3 in the fair value hierarchy. The recorded amounts approximate fair value and are based on unobservable inputs, including estimated future payment dates and management's past experience collecting similar pledges. As of December 31, 2019 and 2018, promises to give are valued at \$10,850 and \$0, respectively.

Changes in fair value of the Organization's promises to give, net present value (Level 3 assets) are summarized as follows:

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 – FAIR VALUE MEASUREMENTS (Cont'd)

	<u>2019</u>
Balance January 1,	\$ -
New promises to give	21,700
Promises to give collected	<u>(10,850)</u>
Balance December 31,	<u><u>\$ 10,850</u></u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Vehicles	\$ 29,022	\$ 29,022
Fixtures and equipment	<u>7,307</u>	<u>7,307</u>
	36,329	36,329
Less: accumulated depreciation	<u>(32,722)</u>	<u>(25,500)</u>
Net property and equipment	<u><u>\$ 3,607</u></u>	<u><u>\$ 10,829</u></u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$7,221 and \$7,265, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent assets whose use by the Organization is subject to grantor- or donor-imposed restrictions that can be fulfilled through the actions of the Organization or by the passage of time. Net assets with donor restrictions at December 31, 2019 and 2018 consist of grants and donations either received but not yet spent for the intended purpose, or pledged and not yet received.

Net assets with donor restrictions at December 31, 2019 and 2018 consist of the following:

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS (Cont'd)

	<u>2019</u>	<u>2018</u>
Time restricted grant receivables and promises to give	\$ 40,850	\$ -
Family rental assistance	-	2,400
Homelessness prevention	33,036	-
Executive coaching	4,000	-
Furniture Resource Center	7,500	-
AED purchase	1,000	1,000
Playground	-	700
Computer classes	3,000	3,000
Pet expenses	<u>1,020</u>	<u>1,020</u>
 Total net assets with donor restrictions	 <u>\$ 90,406</u>	 <u>\$ 8,120</u>

Net assets are released from donor restrictions by passage of time, by incurring expenses that satisfy the restricted purpose, or by occurrence of other events specified by the donors. Details on the net assets released from restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Family transition program	\$ -	\$ 13,500
Office equipment	-	668
Marketing	-	1,129
Pet expenses	-	2,500
Playground	700	-
Family rental assistance	2,400	-
Homelessness prevention	6,964	-
Executive coaching	1,000	-
Time restricted promises to give	<u>10,000</u>	<u>-</u>
 Total net assets released from restrictions	 <u>\$ 21,064</u>	 <u>\$ 17,797</u>

NOTE 6 – NET ASSETS WITHOUT RESTRICTIONS

The governing Board of a nonprofit organization may designate a portion of net assets without restrictions for a specific purpose as a management tool. Those Board designations are not restrictions because the designations may be reversed by the Board, and they do not alter the nature of unrestricted contributions.

FAMILY PROMISE OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 – NET ASSETS WITHOUT RESTRICTIONS (Cont'd)

During the year ended December 31, 2017, the Board of Directors designated \$60,000 of net assets without restrictions to the Growth Initiatives Fund. Funds will be used for new initiatives to expand the mission of the Organization. The balance of the Growth Initiatives Fund was \$60,000 at both December 31, 2019 and 2018.

NOTE 7 – LEASE COMMITMENT

During the year ended December 31, 2017, the Organization entered into a four year lease agreement for a new facility. The lease agreement expires December 31, 2020 with the possibility to renew at the sole option of the Organization for two additional three-year terms with a third, three-year renewal at the mutual consent of the Organization and the lessor. Monthly rental payments are \$1,500. Rent expense for the years ended December 31, 2019 and 2018 was \$18,000 and \$18,000, respectively. Minimum future rental payments under the non-cancelable lease are as follows:

Year ended December 31:	
2020	\$ <u> 18,000</u>