

**BIG BROTHERS BIG SISTERS OF THE
LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)**

**Financial Statements and
Independent Auditor's Report**

June 30, 2019 and 2018

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
TABLE OF CONTENTS

	Page(s)
Independent Auditor's Report	1 - 2
<i><u>Financial Statements:</u></i>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 20

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Brothers Big Sisters of the
Lehigh Valley, Inc.
41 S. Carlisle Street
Allentown, PA 18109

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Lehigh Valley, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 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.

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.

Auditor's 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 audit 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 auditor's 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 Big Brothers Big Sisters of the Lehigh Valley, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Congbell, Rappold & Yucasita LLP

December 23, 2019

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2019 and 2018

ASSETS

CURRENT ASSETS:	2019	2018
Cash and Cash Equivalents	\$ 47,115	\$ 27,688
Investments (Note 3 and 4)	136,471	131,912
Accounts and Grants Receivable	95,339	114,262
Pledges Receivable (Note 5)	17,937	21,455
Prepaid Expenses	9,767	13,258
	306,629	308,575
 OTHER ASSETS:		
Property and Equipment (Note 6)	509,603	522,666
 TOTAL ASSETS	\$ 816,232	\$ 831,241

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	\$ 9,003	\$ 15,135
Accrued Vacation and Payroll Liabilities	7,273	12,309
Security Deposit (Note 12)	1,400	1,400
Line of Credit (Note 7)	25,000	41,000
	42,676	69,844
TOTAL CURRENT LIABILITIES	42,676	69,844
CONTINGENCIES (Note 11)	-	-
TOTAL LIABILITIES	42,676	69,844
 NET ASSETS:		
Without Donor Restrictions (Note 9 and 10)	657,612	674,586
With Donor Restrictions (Note 9)	115,944	86,811
	773,556	761,397
TOTAL NET ASSETS	773,556	761,397
 TOTAL LIABILITIES AND NET ASSETS	\$ 816,232	\$ 831,241

See independent auditor's report and notes to financial statements.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES
For the Years ended June 30, 2019 and 2018

	2019	2018
<u>Changes in Net Assets Without Donor Restrictions:</u>		
<u>Revenues:</u>		
Special Events		
Revenue	\$ 246,154	\$ 283,028
Less: Cost of Direct Benefit to Donors	(99,005)	(95,299)
Net Income from Special Events	147,149	187,729
Grant Revenue	318,568	221,422
Federated Campaigns - United Way	26,800	72,000
Contributions	52,991	46,296
Investment Income	6,800	5,900
Rental Income (Net)	14,673	14,200
Miscellaneous Revenue	-	415
Net Realized / Unrealized Gain on Investments	3,825	2,129
 Total Revenue Without Donor Restrictions	 570,806	 550,091
 Net Assets Released from Restrictions	 66,955	 106,162
 Total Revenues and Other Support Without Donor Restrictions	 637,761	 656,253
<u>Expenses:</u>		
Program Services	492,500	517,398
Management and General	60,813	56,564
Fund Raising	101,421	77,914
 Total Expenses	 654,734	 651,876
 (Decrease) Increase in Net Assets Without Donor Restrictions	 (16,973)	 4,377
<u>Changes in Net Assets With Donor Restrictions:</u>		
Contributions and Grant Revenue	96,087	48,830
Net Assets Released from Restrictions	(66,955)	(106,162)
 Increase (Decrease) in Net Assets With Donor Restrictions	 29,132	 (57,332)
 Increase (Decrease) in Net Assets	 12,159	 (52,955)
 Net Assets at Beginning of Year	 761,397	 814,352
 Net Assets at End of Year	 \$ 773,556	 \$ 761,397

See independent auditor's report and notes to financial statements.

THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Services	Management and General	Fund Raising	2019
Salaries	\$ 276,857	\$ 28,006	\$ 56,355	\$ 361,218
Taxes and Benefits	56,541	5,781	7,799	70,121
Travel	3,678	478	320	4,476
Supplies	5,433	550	1,106	7,089
Telephone	4,107	415	836	5,358
Postage	1,851	187	377	2,415
Insurance	15,309	1,043	137	16,489
Dues and Subscriptions	972	99	198	1,269
Occupancy	5,088	1,695	-	6,783
Meetings	5,576	564	1,136	7,276
Program Activities	51,560	-	-	51,560
Special Events	-	-	99,005	99,005
Purchased Services and				
Professional Fees	32,591	9,797	33,093	75,481
Maintenance and Repairs	7,870	2,623	-	10,493
National Affiliation Fee	7,734	3,871	-	11,605
Depreciation	15,294	5,098	-	20,392
Miscellaneous	315	32	64	411
Interest Expense	1,724	574	-	2,298
Total Allocated Expenses	492,500	60,813	200,426	753,739
Less: Expenses Deducted				
Directly from Revenues				
on the Statement of				
Activities	-	-	(99,005)	(99,005)
Total Expenses Reported by				
 Function on the Statement				
 of Activities	\$ 492,500	\$ 60,813	\$ 101,421	\$ 654,734

See independent auditor's report and notes to financial statements.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	Program Services	Management and General	Fund Raising	2018
Salaries	\$ 298,949	\$ 27,044	\$ 43,060	\$ 369,053
Taxes and Benefits	69,750	5,492	6,603	81,845
Travel	4,272	296	383	4,951
Supplies	4,319	391	622	5,332
Telephone	4,484	406	646	5,536
Postage	2,073	187	299	2,559
Insurance	14,059	843	89	14,991
Dues and Subscriptions	1,166	105	168	1,439
Occupancy	5,571	1,857	-	7,428
Meetings	2,185	197	315	2,697
Program Activities	46,943	-	-	46,943
Special Events	-	-	95,299	95,299
Purchased Services and				
Professional Fees	34,378	9,510	25,470	69,358
Maintenance and Repairs	8,222	2,741	-	10,963
National Affiliation Fee	5,514	2,761	-	8,275
Depreciation	13,693	4,565	-	18,258
Miscellaneous	1,800	163	259	2,222
Interest Expense	20	6	-	26
Total Allocated Expenses	517,398	56,564	173,213	747,175
Less: Expenses Deducted				
Directly from Revenues				
on the Statement of				
Activities	-	-	(95,299)	(95,299)
Total Expenses Reported by				
Function on the Statement				
of Activities	\$ 517,398	\$ 56,564	\$ 77,914	\$ 651,876

See independent auditor's report and notes to financial statements.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
<u><i>Cash Flows from Operating Activities:</i></u>		
Change in Net Assets	\$ 12,159	\$ (52,955)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	20,392	18,258
Decrease (Increase) in Accounts and Grants Receivable	18,923	(86,727)
Decrease in Pledges Receivable	3,518	18,372
Decrease in Prepaid Expenses	3,491	1,465
(Decrease) Increase in Accounts Payable	(6,132)	634
(Decrease) in Accrued Vacation and Payroll Liabilities	(5,036)	(5,752)
Net Realized / Unrealized (Gain) on Investments	(3,825)	(2,129)
Net Cash Provided by (Used in) Provided by Operating Activities	43,490	(108,834)
<u><i>Cash Flows from Investing Activities:</i></u>		
Purchase of Investments	(6,734)	(5,780)
Proceeds from Sale of Investments	6,000	-
Purchase of Equipment	(7,329)	(4,431)
Net Cash Used in Investing Activities	(8,063)	(10,211)
<u><i>Cash Flows from Financing Activities:</i></u>		
Net (Payment) Borrowing on Line of Credit	(16,000)	41,000
Net Cash (Used in) Provided by Financing Activities	(16,000)	41,000
Net Increase (Decrease) in Cash and Cash Equivalents	19,427	(78,045)
Cash and Cash Equivalents at Beginning of Year	27,688	105,733
Cash and Cash Equivalents at End of Year	\$ 47,115	\$ 27,688
Supplemental Information:		
Interest Paid	\$ 2,298	\$ 26
In-Kind Donations for Special Events	\$ 54,126	\$ 52,922
In-Kind Donations for Program Activities	\$ 12,867	\$ 13,220

See independent auditor's report and notes to financial statements.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. Nature of Activities

Big Brothers Big Sisters of the Lehigh Valley, Inc. (the “Agency”) is a not-for-profit 501(c)(3) corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of enhancing the growth and development of youth, primarily from single parent homes, through personal relationships with trained volunteers guided by professional staff. The Agency is exempt from federal income taxes on related income pursuant to Section 501(c) of the Code.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Agency are set forth below.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the principles of not-for-profit accounting generally accepted in the United States of America. The financial statements reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Agency is required to report information regarding its financial position and activities according to the following classes of net assets:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors.

With Donor Restrictions – Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Agency and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting the Agency to expend the income generated in accordance with the provisions of the contribution.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents, as presented on the statement of cash flows, include all highly liquid debt securities purchased with a maturity of three months or less.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Investments

Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Investment income or loss (including gains or losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in net assets without restrictions unless the income or loss is restricted by a donor or law.

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value for certain financial assets and liabilities. See Note 4 for further details.

Accounts and Grants Receivable

Accounts and grants receivable are stated at outstanding balance less an allowance for doubtful accounts, when applicable. Management periodically evaluates the adequacy of the allowance. Accounts are written off when they are determined to be uncollectible based on management's assessment of the individual accounts.

Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period pledged and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Property and equipment, other than contributed property and equipment, is stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives.

Such assets and lives are generally as follows:

Buildings and Improvements	5-40 years
Furniture, Fixtures, and Equipment	5-10 years
Software	3 years

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

All assets with a purchase cost, or fair value if acquired by gift, in excess of \$750 are capitalized. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received, including unconditional promises, are recognized as support in the period received and are measured at their fair values. Depending on the form of the benefits received, contributions are either recorded by the Agency as revenues or assets, or as decreases in liabilities or expenses. Contributions with donor-imposed restrictions are recorded as support with donor restrictions, while contributions without donor-imposed restrictions are recorded as support without donor restrictions.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

Contributed services are recorded if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A significant amount of time has been donated by volunteers and board members of the Agency; however, no amounts have been reflected in the statements for these general donated services as they do not meet the criteria for recording.

For the years ended June 30, 2019 and 2018, donated materials and services, totaling \$66,993 and \$66,142, respectively, were reflected in the financial statements. The Agency normally receives the donated materials and services for special events. The values were determined by fair market valuation.

Allocation of Expenses by Function

As reported in the statement of functional expenses, expenses of the Agency have been allocated to the following functional reporting classifications:

Program Services

Program services expenses include costs incurred for activities that ultimately result in the delivery of services that fulfill the Agency's charitable purpose.

Management and General

Management and general expenses include costs incurred for the overall direction of the Agency, general record keeping, business management, budgeting, general board activities, and related purposes.

Fund Raising

Fund raising expenses include costs incurred for activities that ultimately result in inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Fund raising activities include publicizing and

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Allocation of Expenses by Function (Continued)

conducting fund raising campaigns; maintaining donor mailing lists; conducting special fund raising events; and conducting other activities involved with soliciting contributions from individuals, foundations, governments, and others.

The Agency's methods for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Concentration of Credit Risk

The Agency maintains cash balances at several financial institutions which may, at times, exceed federally insured limits. It historically has not experienced any credit related losses. At June 30, 2019 and 2018, the Agency's bank accounts did not exceed the Federal Deposit Insurance Company limits.

Income Taxes

The Internal Revenue Service ("IRS") has ruled that the Agency is tax-exempt as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is required in the accompanying financial statements.

Accounting guidance as codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes – Uncertainty in Income Taxes*, establishes the criterion that an individual tax position has to meet for some or all of the benefits of the position to be recognized in the Agency's financial statements. The standard prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by a taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The standard also provides guidance on derecognition, classification, interest and penalties and disclosure. The Agency had no material uncertain income tax positions that would result in a liability to the Agency as of and for the years ended June 30, 2019 or 2018.

The Agency files its Form 990, *Return of Organization Exempt from Tax*, with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania.

Reclassification

Certain accounts in the prior year financial statements have been reclassified to conform with current year presentation. The reclassifications have no effect on the change in net assets for the prior year.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement

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*. The Agency has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Agency's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets without donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 13).

The changes have the following effect on net assets at June 30, 2018:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets	\$ 674,586	\$ -
Temporarily Restricted Net Assets	86,811	-
Permanently Restricted Net Assets	-	-
Net Assets Without Donor Restrictions	-	674,586
Net Assets With Donor Restrictions	-	86,811
	\$ 761,397	\$ 761,397
Total Net Assets	\$ 761,397	\$ 761,397

In addition, certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

3. Investments

Investments consist of the following:

	2019		2018	
	Cost	Market	Cost	Market
Mutual Funds	\$ 102,395	\$ 136,471	\$ 100,328	\$ 131,912
	\$ 102,395	\$ 136,471	\$ 100,328	\$ 131,912

Net unrealized gain (loss) on investments was \$2,492 and \$2,129 in 2019 and 2018, respectively. Net realized gain on investments was \$1,333 in 2019. No sales occurred in 2018.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

4. Fair Value Measurements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820 defines fair value, establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under 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 Agency has the ability to access. Assets utilizing Level 1 inputs are equities and mutual funds.

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 specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

The Agency currently does not have any Level 2 inputs.

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

The Agency currently does not have any Level 3 inputs.

The asset’s 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.

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 June 30, 2019 and 2018.

Mutual funds: Valued at the net asset value (“NAV”) of shares held by the Agency at year end.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

4. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency 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 the reporting date.

There were no significant transfers among Level 1, 2, and 3 during the year ended June 30, 2019 or 2018. Transfers are recognized at the end of the reporting period.

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of June 30, 2019 or 2018:

Assets at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Asset Allocation	\$ 136,471	\$ -	\$ -	136,471
Total Assets at Fair Value	\$ 136,471	\$ -	\$ -	\$ 136,471
Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Asset Allocation	\$ 131,912	\$ -	\$ -	\$ 131,912
Total Assets at Fair Value	\$ 131,912	\$ -	\$ -	\$ 131,912

5. Pledges Receivable

Unconditional promises to give have been recorded in the statement of financial position as pledges receivable and revenue of the appropriate net asset category, as of June 30, 2019 and 2018, respectively, and are expected to be realized in the following periods:

	2019	2018
In One Year or Less	\$ 24,037	\$ 25,555
Between One Year and Five Years	-	-
Greater Than Five Years	-	-
	24,037	25,555
Unamortized Discount (discount rate of 5%) and Allowance for Uncollectible Amounts	(6,100)	(4,100)
Net Pledges Receivable	\$ 17,937	\$ 21,455

Conditional promises to give consist of a \$35,000 grant commitment for a technology room capital project, contingent upon signing of contracts and the commencement of construction by March 1, 2020. Conditional promises to give have not been recorded in the accompanying financial statements.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

6. Property and Equipment

Property and equipment consist of the following:

	2019	2018
Land	\$ 36,372	\$ 36,372
Building and Improvements	513,033	513,033
Furniture, Fixtures, and Equipment	43,166	42,481
Software	7,800	2,000
 Total	 600,371	 593,886
Less: Accumulated Depreciation	(90,768)	(71,220)
 Property and Equipment, Net	 \$ 509,603	 \$ 522,666

Depreciation expense was \$20,392 and \$18,258 in 2019 and 2018, respectively.

7. Line of Credit

The Agency currently maintains a \$75,000 variable rate revolving line of credit (Prime + .25%). The line of credit is due on demand and there is no expiration date. The outstanding balance on the line of credit was \$25,000 and \$41,000 at June 30, 2019 and 2018, respectively.

Interest expense was \$2,298 and \$26 in 2019 and 2018, respectively.

8. Retirement Plan

The Agency sponsors a defined contribution plan (the Plan) covering all eligible employees. The Agency makes a contribution to the Plan equal to 1% of participants' compensation. In addition, the Agency matches participants' contributions to the Plan up to 4% of the individual participants' compensation. Total expense for the years ended June 30, 2019 and 2018 was \$7,237 and \$14,763, respectively.

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

9. Net Assets

Net assets without donor restrictions consist of the following:

	2019	2018
Board Designated for Endowment	\$ 136,471	\$ 131,912
Undesignated	521,141	542,674
	\$ 657,612	\$ 674,586

Net assets with donor restrictions are restricted for specific purposes, until specific events occur, or are invested in perpetuity.

Net assets with donor restrictions consist of the following:

	2019	2018
Pledges Receivable - United Way Donor Designation	\$ 17,937	\$ 18,955
Pledges Receivable - Campaign Programs	-	2,500
Special Events	93,057	65,356
	4,950	-
	\$ 115,944	\$ 86,811

The following schedule summarizes restricted net assets used in accordance with donor-imposed restrictions for the Agency's operations during the years ended June 30:

	2019	2018
Pledges Receivable - United Way Donor Designation	\$ 18,955	\$ 32,702
Pledges Receivable - Campaign Programs	2,500	1,000
	45,500	72,460
	\$ 66,955	\$ 106,162

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

10. Endowment Net Assets

The Agency's endowment consists of funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The investment philosophy of the Agency is safety of principal and liquidity. The endowment fund investment strategy is reviewed and evaluated annually by the Finance Committee.

The Agency did not have any donor-restricted endowment funds as of June 30, 2019 or 2018.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows:

	2019			Total Net Endowment Assets
	Without Donor Restrictions	With Donor Restrictions		
		Purpose	Perpetuity	
Board-Designated Endowment Funds	136,471	-	-	136,471
Total Funds	\$ 136,471	\$ -	\$ -	\$ 136,471

	2018			Total Net Endowment Assets
	Without Donor Restrictions	With Donor Restrictions		
		Purpose	Perpetuity	
Board-Designated Endowment Funds	131,912	-	-	131,912
Total Funds	\$ 131,912	\$ -	\$ -	\$ 131,912

Changes in endowment net assets as of June 30, 2019 and 2018 are as follows:

	Year Ended June 30, 2019	
	Without Donor Restrictions	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$ 131,912	\$ 131,912
Investment Income	6,734	6,734
Net Appreciation	3,825	3,825
Net Appropriated for Expenditure	(6,000)	(6,000)
Endowment Net Assets, End of Year	\$ 136,471	\$ 136,471
	Year Ended June 30, 2018	
	Without Donor Restrictions	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$ 124,003	\$ 124,003
Investment Income	5,780	5,780
Net Appreciation	2,129	2,129
Net Appropriated for Expenditure	-	-
Endowment Net Assets, End of Year	\$ 131,912	\$ 131,912

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

11. Contingencies

The Agency received a donation of property, 41 S. Carlisle Street, Allentown, PA, during the 2015 fiscal year. The transfer is contingent upon the Agency retaining the property for a period of 5 years. In the event the property is sold by the Agency within 5 years of the date of transfer, June 11, 2015, net proceeds would revert back to the transferor on the following scale:

Net proceeds back to transferor:

Year 1	80%
Year 2	60%
Year 3	40%
Year 4	20%
Year 5	10%

After year 5, all proceeds from the sale of the property would be retained by the Agency.

12. Operating Lease

On August 1, 2016, the Agency entered into an agreement to lease a portion of its building at a rate of \$1,400 a month. The lease is automatically renewable each August 1. A security deposit of \$1,400 was received during the year ended June 30, 2017 and is reported as a liability in the statement of financial position. The lease agreement was terminated on August 31, 2019 (Note 14).

The Agency also receives rental income once annually for use of its facilities for voting polls.

Rental income was \$17,000 and \$17,000 in 2019 and 2018, respectively. Related rental expenses incurred to maintain the property were \$2,327 and \$2,800 in 2019 and 2018, respectively. Net income from the rental activity is reported in the statement of activities.

On October 1, 2019, the Agency entered into an agreement to lease a portion of its building at a rate of \$1,400 a month. The lease is automatically renewable each October 1 (Note 14).

Future minimum rental income payments are as follows:

Year ending June 30,	
2020	\$ 15,400
2021	4,200

BIG BROTHERS BIG SISTERS OF THE LEHIGH VALLEY, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

13. Liquidity and Availability

The Agency monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Agency has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations:

Cash and Cash Equivalents	\$ 47,115
Investments	136,471
Accounts and Grants Receivable	95,339
Pledges Receivable	17,937
Less: Board Designations	(136,471)
Less: Net Assets With Donor Restrictions	<u>(115,944)</u>
	<u>\$ 44,447</u>

The Agency maintains a board designated endowment of \$136,471. These resources are invested for long-term appreciation, but current income may be spent for operating activities as approved by the Board of Directors. See Notes 3, 4, and 10 for further information about the Agency's investments and endowment funds, respectively. Although the Agency does not intend to spend from the board designated endowment, these amounts could be made available if necessary.

The Agency also has access to a \$75,000 variable rate revolving line of credit which it could draw upon to meet cash needs. See Note 7 for further details related to the Agency's line of credit.

14. Subsequent Events

Management has evaluated subsequent events through December 23, 2019, the date on which the financial statements were available to be issued.

On October 1, 2019, the Agency entered into an agreement to lease a portion of its building at a rate of \$1,400 a month. The lease is automatically renewable each October 1, at a rate not-to-exceed 5% of the monthly rent. A security deposit of \$1,400 was received upon signing of the lease agreement. Effective November 1, 2019, the rent was increased to \$1,500 a month for additional usage. All other terms in the lease agreement remain unchanged.