

**BRANDON'S FOREVER HOME
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019
&
INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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INDEPENDENT ACCOUNTANT'S REVIEW

To the Board of Directors
Brandon's Forever Home:

We have reviewed the accompanying financial statements of Brandon's Forever Home (the "Organization") which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 the Organization's 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

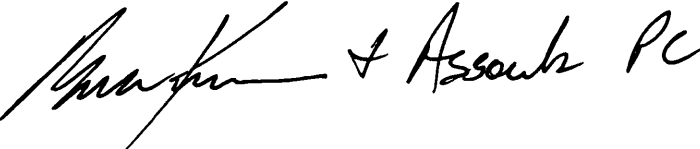
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 statements 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.

A handwritten signature in black ink, appearing to read "Graham & Associates PC". The signature is fluid and cursive, with a large initial 'G'.

Kingston, PA
November 13, 2020

BRANDON'S FOREVER HOME

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

<u>ASSETS</u>		<u>LIABILITIES AND NET ASSETS</u>	
CURRENT ASSETS:		CURRENT LIABILITIES:	
Cash	\$ 45,369	Demand note payable, bank	\$ 25,000
Accounts receivable, trade	34,167	Current maturities of long-term debt, bank	6,391
		Accounts payable, trade	11,109
		Accrued expenses	9,990
Total current assets	79,536	Total current liabilities	52,490
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$25,102	189,463	LONG-TERM DEBT, bank	72,490
		Total liabilities	124,980
		NET ASSETS:	
		Unrestricted	138,299
		Temporarily restricted	5,720
		Total net assets	144,019
TOTAL	<u>\$ 268,999</u>	TOTAL	<u>\$ 268,999</u>

See Notes to Financial Statements

BRANDON'S FOREVER HOME

STATEMENT OF ACTIVITIES
FOR THE YEAR DECEMBER 31, 2019
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

UNRESTRICTED NET ASSETS:

REVENUE AND SUPPORT:

Grant income	\$ 5,000
Contract revenue	202,000
Contributions	<u>96,606</u>

Total unrestricted revenue and support 303,606

OPERATING EXPENSES:

Program services:

Youth mentoring services	80,603
Recruitment/training/certification services	105,294
Food pantry services	4,786
Educational assistance	<u>5,270</u>

Total program services 195,953

General and fund-raising	62,218
Depreciation expense	<u>6,269</u>

Total operating expenses 264,440

INCOME FROM OPERATIONS 39,166

INTEREST EXPENSE (5,301)

INCREASE IN UNRESTRICTED NET ASSETS 33,865

UNRESTRICTED NET ASSETS, BEGINNING OF THE YEAR 104,434

UNRESTRICTED NET ASSETS, END OF YEAR \$ 138,299

See Notes to Financial Statements

BRANDON'S FOREVER HOME

**STATEMENT OF CASH FLOWS
FOR THE YEAR DECEMBER 31, 2019
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in unrestricted net assets	\$ 33,865
Adjustment to reconcile change in unrestricted net assets to cash provided by operating activities:	
Depreciation	6,269
Accounts receivable, trade	16,333
Accounts payable, trade	(5,257)
Accrued expenses	<u>(1,849)</u>
Net cash provided by operating activities	<u>49,361</u>

CASH FLOWS FROM INVESTING ACTIVITIES,

Purchase of improvements and equipment	<u>(13,507)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES:

Net change in line of credit	1,900
Repayments of long-term debt	(6,024)
Increase in temporarily restricted net assets	<u>5,720</u>
Net cash provided by financing activities	<u>1,596</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	37,450
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,919</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 45,369</u>
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION,

Cash paid during the year for interest	<u>\$ 5,301</u>
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See Notes to Financial Statements

BRANDON'S FOREVER HOME

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	PROGRAM SERVICES				SUPPORTING SERVICES	
	YOUTH MENTORING SERVICES	RUNAWAY YOUTH SERVICES	FOOD PANTRY SERVICES	EDUCATIONAL ASSISTANCE	GENERAL AND FUND-RAISING	TOTAL
Payroll and taxes	\$ 46,876	\$ 46,876	\$ -	\$ -	\$ 23,437	\$ 117,189
Material assistance to children	15,018	15,018	3,338	-	-	33,374
Advertising and promotion	643	30,556	-	-	965	32,164
Gala event expenses	-	-	-	-	23,375	23,375
Outside contract services	9,010	9,010	1,351	1,351	1,803	22,525
Utilities	2,322	2,323	-	-	4,645	9,290
Youth mentoring services	5,228	-	-	-	-	5,228
Repairs and maintenance	-	-	-	-	4,910	4,910
Reading program	-	-	-	3,575	-	3,575
Liability insurance	651	652	-	-	1,304	2,607
Telephone	391	392	-	-	782	1,565
Bank charges	188	189	-	-	377	754
Business conferences and travel	97	97	97	97	99	487
Coffee program	-	-	-	-	310	310
Computer costs	132	133	-	-	-	265
Educational assistance	-	-	-	247	-	247
Supplies	47	48	-	-	95	190
Miscellaneous	-	-	-	-	100	100
Postage	-	-	-	-	16	16
Total expenses	<u>\$ 80,603</u>	<u>\$ 105,294</u>	<u>\$ 4,786</u>	<u>\$ 5,270</u>	<u>\$ 62,218</u>	<u>\$ 258,171</u>

See Notes to Financial Statements

BRANDON'S FOREVER HOME, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Brandon's Forever Home, Inc. (the "Organization") provides awareness about children in foster care and their need for permanent loving homes. Its primary service area includes Luzerne County, Pennsylvania and other surrounding counties. The Organization receives the majority of its revenues through contributions and contracts with local governmental agencies in its service area.

BASIS OF PRESENTATION

The financial statements are presented in accordance with FASB Codification for Not-For-Profit Entities. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

ACCOUNTS RECEIVABLE

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. Since the Organization receives the majority of its billable revenue from contracts with local government agencies, management believes all of the accounts receivable are fully collectible at December 31, 2019. Accordingly, no provision for doubtful accounts has been made.

DONOR-RESTRICTED GIFTS

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 temporarily or permanently restricted support which increases those net asset classes. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is satisfied in the same fiscal period in which the contribution is received, the Organization reports the support as unrestricted.

INCOME TAXES

The Organization is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business that is not substantially related to the exercise or performance of its exempt purpose.

FASB Codification regarding Accounting for Uncertainty in Income Taxes addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and provides guidance on measurement, classification, interest and penalties, and disclosure.

The Organizations' Form 990, if selected, remains open to examination by the Internal Revenue Service for the years ended December 31, 2017-2019.

IMPROVEMENTS AND EQUIPMENT

Improvements and equipment are recorded at cost, or in the case of donated items, the fair-market value at the date of the gift. Expenditures which extend the life of an asset are capitalized. Routine repairs and maintenance are expensed as incurred. Depreciation is computed on the straight-line method over the following estimated useful lives of the assets:

Furniture and equipment	2-10 years
Buildings and improvements	5-40 years

IMPAIRMENT OF LONG-LIVED ASSETS

FASB Codification regarding Accounting for the Impairment of Disposal of Long-Lived Assets, requires that long-lived assets, including improvements and equipment, be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful lives of long-lived assets may warrant revision or that the remaining carrying amount may not be recoverable. When factors indicate that such assets should be evaluated, the estimated future undiscounted cash flows associated with the assets are compared to the assets' carrying amount to determine if a write-down to fair value is necessary. At December 31, 2019, based on management's evaluation, a charge for impairment is not considered necessary.

NET ASSETS

Unrestricted net assets consist of resources available for the various projects and administration of the Organization which have not been restricted by a donor or other outside party. Board designated funds are established by the Organization and represent unrestricted funds which have been set aside for future renovations, debt reduction, and capital projects.

Temporarily and permanently restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets are those that have been restricted by donors to be maintained by the Organization in perpetuity.

Temporarily restricted net assets amounted to \$5,720 at December 31, 2019. There are no permanently restricted net assets at December 31, 2019.

2. LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT

Land, Buildings, Improvements and Equipment consist of the following at December 31, 2019:

Land	\$ 13,250
Building and improvements	193,755
Furniture and equipment	<u>7,560</u>
Total	214,565
Less accumulated depreciation	<u>25,102</u>
Improvements and equipment, net	<u>\$189,463</u>

Depreciation expense was \$6,269 for the year ended December 31, 2019.

3. DEMAND NOTE PAYABLE, BANK

The Organization has available a \$25,000 line of credit facility with Community Bank, NA (the "Bank"). Borrowings under this facility bear interest at 1.00% above the Wall Street Journal Prime rate of interest (4.75% at December 31, 2019). The line is secured by a first security lien in all Organization assets. Borrowings on this line at December 31, 2019 were \$25,000 the facility expires November 30, 2020. The Organization is working with the Bank to finalize a renewal and does not anticipate any issues.

4. NOTE PAYABLE, BANK

The Organization entered into a loan agreement in May 2020 with Community Bank, NA in the principal amount of \$78,881 to refinance its previous loan agreement from 2015. The loan bears interest at a fixed rate of 4.00% for the first five years, followed by the then five-year Treasury Bill rate plus 350 basis points for the remainder of the loan. The loan is payable in 120 monthly installments of \$801 which began in July 2020, with a final payment of all outstanding principal and interest in June 2030. The loan is secured by a first lien mortgage on the Organization's building in Hazleton, PA. The principal balance on the loan was \$78,881 at December 31, 2019.

The aggregate amount of annual required principal payments are as follows:

FOR THE YEARS ENDING DECEMBER 31:

2020	\$ 6,391
2021	6,685
2022	6,992
2023	7,313
2024	7,649
Thereafter	<u>43,851</u>
Total	<u>\$78,881</u>

5. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31, 2019:

Salaries and wages	\$4,990
Accounting fees	<u>5,000</u>
Total	<u>\$9,990</u>

6. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's estimates.

7. CONCENTRATIONS

67% of the Organization's revenue resulted from contracted services with Luzerne County during the year ended December 31, 2019. Accounts receivable from this county was \$16,833 at December 31, 2019. The Organization does not anticipate a reduction in this revenue as it has secured contracts with Luzerne County for 2020.

8. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to December 31, 2019 through the time that these financial statements were available to be issued on November 13, 2020. Based on this evaluation, the Organization noted the following:

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the Organization beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While the Organization expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall demand for the Organization's services, all of which are highly uncertain and cannot be predicted.

The Organization is not aware of any other events or transactions that occurred subsequent to December 31, 2019 but prior to November 13, 2020 that would require recognition or disclosure in its financial statements.
