

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018
&
INDEPENDENT AUDITORS' REPORT**

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Mark Kneeream AND ASSOCIATES, PC

ACCOUNTANTS & CONSULTANTS

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To the Board of Directors of
Brandon's Forever Home

We have audited the accompanying financial statements of Brandon's Forever Home (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Brandon's Forever Home as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kingston, Pennsylvania
February 14, 2020

BRANDON'S FOREVER HOME
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

<u>ASSETS</u>		<u>LIABILITIES AND NET ASSETS</u>	
CURRENT ASSETS:		CURRENT LIABILITIES:	
Cash	\$ 7,919	Demand note payable, bank	\$ 23,100
Accounts receivable, trade	<u>50,500</u>	Current maturities of long-term debt, bank	6,089
		Accounts payable, trade	16,366
		Accrued expenses	<u>11,839</u>
Total current assets	58,419	Total current liabilities	57,394
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$18,833	<u>182,225</u>	LONG-TERM DEBT, bank	<u>78,816</u>
		Total liabilities	<u>136,210</u>
		NET ASSETS, Unrestricted	<u>104,434</u>
TOTAL	<u>\$ 240,644</u>	TOTAL	<u>\$ 240,644</u>

See Notes to Financial Statements

BRANDON'S FOREVER HOME

**STATEMENT OF ACTIVITIES
FOR THE YEAR DECEMBER 31, 2018**

UNRESTRICTED NET ASSETS:

REVENUE AND SUPPORT:

Grant income	\$ 32,500
Contract revenue	201,922
Contributions	<u>64,727</u>

Total unrestricted revenue and support 299,149

OPERATING EXPENSES:

Program services:

Youth mentoring services	86,692
Runaway youth services	135,264
Food pantry services	10,677
Educational assistance	<u>12,231</u>

Total program services 244,864

General and fund-raising	45,500
Depreciation expense	<u>5,515</u>

Total operating expenses 295,879

INCOME FROM OPERATIONS 3,270

OTHER INCOME (EXPENSE):

Interest expense	(4,772)
Interest income	<u>6</u>

Other expense, net (4,766)

NET DECREASE IN UNRESTRICTED NET ASSETS (1,496)

NET ASSETS, BEGINNING OF THE YEAR 105,930

NET ASSETS, END OF YEAR \$ 104,434

See Notes to Financial Statements

BRANDON'S FOREVER HOME

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	PROGRAM SERVICES				SUPPORTING SERVICES	TOTAL
	YOUTH MENTORING SERVICES	RUNAWAY YOUTH SERVICES	FOOD PANTRY SERVICES	EDUCATIONAL ASSISTANCE	GENERAL AND FUND-RAISING	
Payroll and taxes	\$ 46,757	\$ 46,757	\$ -	\$ -	\$ 23,379	\$ 116,893
Advertising and promotion	1,129	53,634	-	-	1,694	56,457
Outside contract services	18,500	18,500	2,500	2,500	3,250	45,250
Material assistance to children	12,500	12,500	2,719	-	-	27,719
Utilities	2,148	2,149	-	-	4,300	8,597
Reading Program	-	-	-	7,239	-	7,239
Food pantry costs	-	-	5,453	-	-	5,453
Golf event expenses	-	-	-	-	4,853	4,853
Repairs and maintenance	-	-	-	-	3,984	3,984
Youth mentoring services	3,934	-	-	-	-	3,934
Liability insurance	752	753	-	-	1,500	3,005
Educational assistance	-	-	-	2,487	-	2,487
Telephone	393	394	-	-	788	1,575
Bank charges	302	301	-	-	600	1,203
Miscellaneous	-	-	-	-	547	547
Supplies	112	112	-	-	223	447
Dues and subscriptions	-	-	-	-	377	377
Computer costs	105	105	-	-	-	210
Printing and copying	55	54	-	-	-	109
Business registration fees	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>25</u>
Total Expenses	<u>\$ 86,692</u>	<u>\$ 135,264</u>	<u>\$ 10,677</u>	<u>\$ 12,231</u>	<u>\$ 45,500</u>	<u>\$ 290,364</u>

See Notes to Financial Statements

BRANDON'S FOREVER HOME**STATEMENT OF CASH FLOWS
FOR THE YEAR DECEMBER 31, 2018**

	2018
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	\$ (1,496)
Adjustment to reconcile change in net assets to cash provided by operating activities:	
Depreciation	5,515
Accounts receivable, trade	(18,695)
Accounts payable, trade	7,675
Accrued expenses	<u>(3,601)</u>
Net cash used in operating activities	<u>(10,602)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES,	
Purchase of improvements and equipment	<u>(1,983)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Change in line of credit	11,875
Repayments of long-term debt	<u>(5,758)</u>
Net cash provided by financing activities	<u>6,117</u>
 NET DECREASE IN CASH	 (6,468)
 CASH, BEGINNING OF YEAR	 <u>14,387</u>
 CASH, END OF YEAR	 <u>\$ 7,919</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ 4,772</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, 2018. 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, 2015-2018.

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, 2018, 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.

There are no temporarily or permanently restricted net assets at December 31, 2018.

2. LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT

Land, Buildings, Improvements and Equipment consist of the following at December 31, 2018:

Land	\$ 13,250
Building and improvements	180,516
Furniture and equipment	<u>7,292</u>
Total	\$ 201,058
Less accumulated depreciation	<u>18,833</u>
Improvements and equipment, net	<u>\$ 182,225</u>

Depreciation expense was \$5,515 for the year ended December 31, 2018.

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 2.00% above the bank's certificate of deposit rate of interest that is held as security for this line of credit (3.10% at December 31, 2018). Borrowings on this line at December 31, 2018 were \$23,100, the facility expired in April 2019. 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 January 2015 with Community Bank, NA in the principal amount of \$106,000, with an interest rate of 4.50%. The loan is payable in 60 monthly installments of \$814 which began in February 2015, with a final payment of all outstanding principal and interest in February 2020. The loan is secured by a first lien mortgage on the Organization's building in Hazleton, PA. The principal balance on the loan was \$84,905 at December 31, 2018. The Bank is in the process of refinancing the loan for another 60 months with a final payment of all outstanding principal and interest in February 2025. The Organization has included \$6,089 as current maturities representing the amount due after refinancing.

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

FOR THE YEARS ENDING DECEMBER 31:

2019	\$ 6,089
2020	6,369
2021	6,661
2022	6,967
2023	7,287
Thereafter	<u>51,532</u>
Total	<u>\$ 84,905</u>

5. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31, 2018:

Salaries and wages	\$ 11,839
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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, 2018. Accounts receivable from this county was \$50,500 at December 31, 2018. The Organization does not anticipate a reduction in this revenue as it has secured contracts with Luzerne County for 2019.

8. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to the balance sheet date through the time these financial statements were available to be issued on February 14, 2020. Based on this evaluation, the Organization is not aware of any events that would require recognition or disclosure in its financial statements.