

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017
&
INDEPENDENT AUDITORS' REPORT
&
SUPPLEMENTARY INFORMATION**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT.....	2-3
FINANCIAL STATEMENTS:	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-11
SUPPLEMENTARY INFORMATION:	
SCHEDULE OF FUNCTIONAL EXPENSES.....	12



Mark Kneeream AND ASSOCIATES, PC
ACCOUNTANTS & CONSULTANTS

269 Pierce Street • Kingston, PA 18704 • Tel: (570) 714-5222 • Fax: (570) 714-5224

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Brandon's Forever Home, Inc.

We have audited the accompanying financial statements of Brandon's Forever Home, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Managements' 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, Inc. as of December 31, 2017, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "M. J. ... + Asoula PC".

Kingston, Pennsylvania
November 14, 2018

BRANDON'S FOREVER HOME, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

<u>ASSETS</u>		<u>LIABILITIES AND NET ASSETS</u>	
CURRENT ASSETS:		CURRENT LIABILITIES:	
Cash	\$ 14,387	Demand note payable, bank	\$ 11,225
Accounts receivable, trade	31,805	Current maturities of long-term debt, bank	5,822
		Accounts payable, trade	8,691
		Accrued expenses	15,440
Total current assets	46,192	Total current liabilities	41,178
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$13,318	185,757	LONG-TERM DEBT, bank	84,841
		Total liabilities	126,019
		NET ASSETS, Unrestricted	105,930
TOTAL	\$ 231,949	TOTAL	\$ 231,949

See Notes to Financial Statements

BRANDON'S FOREVER HOME, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

UNRESTRICTED NET ASSETS:

REVENUE AND SUPPORT:

Grant income	\$ 35,000
Contract revenue	174,925
Contributions	<u>66,001</u>

Total unrestricted revenue and support 275,926

OPERATING EXPENSES:

Program services:

Youth mentoring services	80,300
Runaway youth services	89,779
Food pantry services	9,908
Educational assistance	<u>12,487</u>

Total program services 192,474

General and fund-raising	52,527
Depreciation expense	<u>5,382</u>

Total operating expenses 250,383

INCOME FROM OPERATIONS 25,543

OTHER INCOME (EXPENSE):

Interest expense	(5,214)
Interest income	<u>27</u>

Other income (expense), net (5,187)

NET INCREASE IN UNRESTRICTED NET ASSETS 20,356

NET ASSETS, BEGINNING OF THE YEAR 85,574

NET ASSETS, END OF YEAR \$ 105,930

See Notes to Financial Statements

BRANDON'S FOREVER HOME, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 20,356
Adjustment to reconcile change in net assets to cash provided by operating activities:	
Depreciation	5,382
Accounts receivable, trade	(31,805)
Accounts payable, trade	7,668
Accrued expenses	<u>15,440</u>
Net cash provided by operating activities	<u>17,041</u>

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchase of property and equipment	<u>(20,623)</u>
------------------------------------	-----------------

CASH FLOWS FROM FINANCING ACTIVITIES:

Change in line of credit	11,225
Repayments of long-term debt	<u>(5,535)</u>
Net cash provided by financing activities	<u>5,690</u>

NET INCREASE IN CASH 2,108

CASH, BEGINNING OF YEAR 12,279

CASH, END OF YEAR \$ 14,387

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for:	
Interest	<u>\$ 5,214</u>

See Notes to Financial Statements

BRANDON'S FOREVER HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 government 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 a net realizable value. Accounts are written off when they are determined to be uncollectible based upon managements' 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, 2017. Accordingly, no provision for doubtful accounts has been made.

**BRANDON'S FOREVER HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

DONOR-RESTRICTED GIFTS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed 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 Organization's Form 990, if selected, remains open to examination by the Internal Revenue Service for the years ended December 31, 2015-2017.

BRANDON'S FOREVER HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

IMPROVEMENTS AND EQUIPMENT

Improvements and equipment are recorded at cost, or in the case of the 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 lived 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, 2017, 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 of 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, 2017.

BRANDON'S FOREVER HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2. LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT

Land, Buildings, Improvements and Equipment consist of the following at December 31, 2017:

Land	\$ 13,250
Building and improvements	158,680
Furniture and equipment	7,255
Construction in progress	<u>19,890</u>
Total	\$ 199,075
Less accumulated depreciation	<u>13,318</u>
Improvements and equipment, net	<u>\$ 185,757</u>

Depreciation expense was \$5,382 for the year ended December 31, 2017.

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% above the Wall Street Journal's prime rate of interest that is held as security for this line of credit (4.5% at December 31, 2017). Borrowings on this line at December 31, 2017 were \$11,225. The facility expires April 2019.

4. NOTE PAYABLE

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 4.5%. 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 Hazelton, PA. The principal balance on the loan was \$90,663 at December 31, 2017.

BRANDON'S FOREVER HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

FOR THE YEARS ENDING DECEMBER 31:

2018	\$ 5,822
2019	6,089
2020	<u>78,752</u>
Total	<u>\$ 90,663</u>

5. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31, 2017:

Salaries and wages	\$ 7,016
Professional fees	5,000
Payroll tax liability	<u>3,424</u>
Total	<u>\$ 15,440</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

64% of the Organization's revenue resulted from contracted services with Luzerne County during the year ended December 31, 2017. Accounts receivable from this county was \$31,805 at December 31, 2017. The Organization does not anticipate a reduction in this revenue as it has secured contracts with Luzerne County for 2018.

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 November 14, 2018. Based on this evaluation, the Organization is not aware of any events that would require recognition or disclosure in its financial statements.

BRANDON'S FOREVER HOME, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES				SUPPORTING SERVICES	
	YOUTH MENTORING SERVICES	RUNAWAY YOUTH SERVICES	FOOD PANTRY SERVICES	EDUCATIONAL ASSISTANCE	GENERAL AND FUND-RAISING	TOTAL
Payroll and taxes	\$ 44,372	\$ 44,372	\$ -	\$ -	\$ 28,076	\$ 116,820
Outside contract services	18,750	18,750	2,500	2,500	5,523	48,023
Educational assistance	-	12,188	-	9,946	-	22,134
Material assistance to children	9,500	9,500	2,131	-	-	21,131
Utilities	1,974	1,974	-	-	3,949	7,897
Golf event expenses	-	-	-	-	5,244	5,244
Food pantry costs	-	-	5,136	-	-	5,136
Youth mentoring services	3,333	-	-	-	-	3,333
Liability insurance	832	832	-	-	1,663	3,327
Repairs and maintenance	-	-	-	-	2,395	2,395
Supplies	150	150	-	-	1,627	1,927
Telephone	400	400	-	-	894	1,694
Advertising and promotion	382	382	-	-	765	1,529
Bank charges	219	219	-	-	437	875
Miscellaneous	-	-	-	-	816	816
Runaway youth services	-	625	-	-	-	625
Printing and copying	125	125	-	-	372	622
Commercial property insurance	91	91	100	-	283	565
Computer costs	131	130	-	-	-	261
Donations	-	-	-	-	250	250
Business registration fees	41	41	41	41	41	205
License fee	-	-	-	-	127	127
Postage	-	-	-	-	49	49
Coffee program	-	-	-	-	16	16
Total Expenses	\$ 80,300	\$ 89,779	\$ 9,908	\$ 12,487	\$ 52,527	\$ 245,001

See Notes to Financial Statements