

The Good Samaritan Shelter, Inc. and Subsidiary

Financial Statements
Year Ended June 30, 2017



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Consolidated Statement of Financial Position</i>	3
<i>Consolidated Statement of Activities</i>	4
<i>Consolidated Statement of Functional Expenses</i>	5
<i>Consolidated Statement of Cash Flows</i>	6
<i>Notes to Consolidated Financial Statements</i>	7
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	14



INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
The Good Samaritan Shelter, Inc.
Phoenixville, Pennsylvania**

We have audited the accompanying consolidated financial statements of The Good Samaritan Shelter, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Good Samaritan Shelter, Inc. and Subsidiary as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited The Good Samaritan Shelter, Inc. and Subsidiary's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2018, on our consideration of The Good Samaritan Shelter, Inc. and Subsidiary's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Good Samaritan Shelter, Inc. and Subsidiary's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
January 5, 2018**

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2017 with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 195,516	133,974
Accounts receivable		
Contributions	40,000	-
Other	6,699	7,755
Prepaid expenses and other	7,993	4,237
Property and equipment, net	<u>1,263,297</u>	<u>1,280,675</u>
Total assets	<u>\$1,513,505</u>	<u>\$1,426,641</u>
LIABILITIES		
Line of credit	\$ 51,976	\$ 17,100
Accounts payable and accrued expenses	67,094	58,958
Notes payable	<u>651,328</u>	<u>664,346</u>
Total liabilities	<u>770,398</u>	<u>740,404</u>
NET ASSETS		
Unrestricted	530,989	547,168
Temporarily restricted	110,160	37,111
Permanently restricted	<u>101,958</u>	<u>101,958</u>
Total net assets	<u>743,107</u>	<u>686,237</u>
Total liabilities and net assets	<u>\$1,513,505</u>	<u>\$1,426,641</u>

See accompanying notes

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2017 with comparative totals 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2017	2016
REVENUE AND SUPPORT					
Contributions	\$ 621,842	\$134,924	\$ -	\$ 756,766	\$1,016,757
Government grants	52,984	-	-	52,984	126,300
Client service income	161,902	-	-	161,902	121,682
Special events, net of expenses of \$43,291 in 2017 and \$64,010 in 2016	107,702	-	-	107,702	109,934
Interest income	227	-	-	227	184
Net assets released from restrictions	61,875	(61,875)	-	-	-
Total revenue and support	<u>1,006,532</u>	<u>73,049</u>	<u>-</u>	<u>1,079,581</u>	<u>1,374,857</u>
EXPENSES					
Program services					
Housing	648,321	-	-	648,321	599,861
Mobile food	140,004	-	-	140,004	135,825
Supporting services					
General and administrative	58,557	-	-	58,557	68,162
Fundraising	175,829	-	-	175,829	175,713
Total expenses	<u>1,022,711</u>	<u>-</u>	<u>-</u>	<u>1,022,711</u>	<u>979,561</u>
CHANGE IN NET ASSETS	(16,179)	73,049	-	56,870	395,296
NET ASSETS					
Beginning of year	<u>547,168</u>	<u>37,111</u>	<u>101,958</u>	<u>686,237</u>	<u>290,941</u>
End of year	<u>\$ 530,989</u>	<u>\$110,160</u>	<u>\$101,958</u>	<u>\$ 743,107</u>	<u>\$ 686,237</u>

See accompanying notes

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2017 with comparative totals for 2016

	Housing	Mobile Food	General and Administrative	Fundraising	Totals	
					2017	2016
Salaries	\$200,158	\$ 49,286	\$26,064	\$136,874	\$ 412,382	\$416,829
Payroll taxes	16,674	5,263	2,391	12,028	36,356	39,390
Bad debt expense	-	-	-	-	-	2,593
Bank fees	-	2,303	865	1,639	4,807	3,708
Depreciation	65,039	15,497	329	328	81,193	59,497
Dues and subscriptions	842	1,708	-	739	3,289	4,941
Insurance	18,551	4,787	1,914	2,005	27,257	24,281
Interest expense	21,980	6,321	-	-	28,301	19,653
Miscellaneous	6,965	1,316	7,137	1,552	16,970	13,319
Postage and shipping	-	-	958	2,236	3,194	3,391
Printing	-	-	-	4,216	4,216	-
Professional fees	30,980	8,038	14,552	12,693	66,263	68,757
Program expense	144,199	36,353	-	-	180,552	161,137
Rent expense	4,950	-	1,320	330	6,600	8,850
Repairs and maintenance	52,560	1,527	-	-	54,087	63,615
Supplies	10,471	882	3,027	1,189	15,569	21,802
Telephone	15,907	241	-	-	16,148	15,385
Travel	6,817	5,032	-	-	11,849	13,518
Utilities	52,228	1,450	-	-	53,678	38,895
Total expenses	<u>\$648,321</u>	<u>\$140,004</u>	<u>\$58,557</u>	<u>\$175,829</u>	<u>\$1,022,711</u>	<u>\$979,561</u>

See accompanying notes

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2017 with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 56,870	\$ 395,296
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Bad debt expense	-	2,593
Depreciation	81,193	59,497
Donated property and equipment	(18,973)	(416,355)
Contributions restricted for endowment	-	(1,000)
(Increase) decrease in assets		
Accounts receivable	(38,944)	27,235
Prepaid expenses and other	(3,756)	(3,185)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	<u>8,136</u>	<u>32,607</u>
Net cash provided by operating activities	<u>84,526</u>	<u>96,688</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(44,842)</u>	<u>(408,557)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	34,876	17,100
Proceeds from issuance of notes payable	-	238,995
Repayment of notes payable	(13,018)	(18,606)
Proceeds from contributions restricted for endowment	<u>-</u>	<u>1,000</u>
Net cash provided by financing activities	<u>21,858</u>	<u>238,489</u>
Net change in cash	61,542	(73,380)
CASH		
Beginning of year	<u>133,974</u>	<u>207,354</u>
End of year	<u>\$195,516</u>	<u>\$ 133,974</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest expense	<u>\$ 28,301</u>	<u>\$ 19,653</u>

See accompanying notes

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

(1) NATURE OF OPERATIONS

The Good Samaritan Shelter, Inc. ("**GSS**") is a Pennsylvania nonprofit organization created in 1999 to provide safe, comfortable housing for men, women and women with children experiencing homelessness in the greater Phoenixville and Ephrata areas of Pennsylvania. GSS also collaborates with local health and social service agencies to help its residents regain stability in their lives and address the issues surrounding their homelessness.

GSS provides the following housing programs:

Emergency Housing

GSS maintains emergency shelters in both Phoenixville and Ephrata. The shelter in Phoenixville is an eight bed facility that serves men experiencing homelessness. The shelter in Ephrata is a 20 bed facility that serves women and women with children experiencing homelessness. Residents at both shelters are limited to 45 day stays and the services at both facilities include three meals a day, clothing, toiletries, linens and towels. While in the program, they receive case management and counseling services and referrals to other agencies.

Transitional Housing

This program can house a maximum of 17 men in Phoenixville. Residents are allowed to reside in the home for up to 12 months. This longer-term residency allows the men to continue to improve their circumstances and prepare for the move into permanent housing.

Residents who have completed a successful stay in the Phoenixville emergency shelter may be eligible to reside in the transitional housing. Residents must be employed and/or have another source of regular monthly income. Residents who meet these requirements, have complied with the house rules, demonstrated sobriety throughout their stay, and expressed a desire to continue on to independent living are welcomed into transitional housing.

Transitional housing program residents are expected to function more independently than emergency shelter residents in order to practice the life skills needed to live on their own. Residents are also expected to be responsible with their rent and upkeep of their personal space. While in the program, they continue to receive case management and counseling services and referrals to other agencies.

Affordable Housing

Our Breitegam House property, located in Phoenixville, is a 12-room home that provides permanent, affordable housing to men exiting our shelter and transitional housing programs. Program fees for this program are approximately 1/3 of what market rents are in Phoenixville. Residents of the Affordable Housing program receive case management services and access to all GSS programs.

Nourish, LLC is a Pennsylvania single member limited liability company formed on March 11, 2015, the sole member of which is GSS. GSS formed Nourish, LLC for the purpose of employing homeless men to establish and operate a mobile food market to provide communities without convenient access to supermarkets with locally sourced fresh and healthy food.

(2) SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of GSS and Nourish, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when incurred.

Basis of Presentation

GSS and Nourish, LLC report information regarding their financial position and activities according to the following three classes of net assets:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of GSS or Nourish, LLC and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "***net assets released from restrictions.***"

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely.

Accounting Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair Value Measurements of Assets and Liabilities

Accounting principles generally accepted in the United States of America ("***GAAP***") define fair value as 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. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of GSS and Nourish, LLC. Unobservable inputs reflect GSS' and Nourish, LLC's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that GSS and Nourish, LLC have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect GSS and Nourish, LLC's own assumptions.

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no valuation allowance necessary at June 30, 2017. GSS does not charge interest on outstanding balances.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, GSS reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

GSS and Nourish, LLC review and evaluate their property and equipment for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. If the carrying value exceeds the cash flows, then recorded amounts of the assets are reduced to their fair value.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as "***unrestricted support.***"

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

Donated Services and Materials

Donated materials are recorded as support and expenses at their estimated value on the date of receipt.

Donated services are recorded as support and expenses at their estimated value on the date of receipt if such services require specialized skills which would need to be purchased if they were not donated.

GSS also receives a significant amount of donated time from a substantial number of volunteers without compensation for its program and supporting services. The financial statements do not reflect the value of these contributed services since they do not meet the criteria for recognition.

Government Grants

Government grants received in support of GSS' programs are recognized as revenue as expenses are incurred.

Special Event Revenue and Expenses

Special event revenue and expenses are recognized during the period in which the related event occurs. Accordingly, revenue received in advance for special events that are held subsequent to year-end is deferred and expenses paid in advance for special events that are held subsequent to year-end are included in prepaid expenses.

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been presented on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted based on estimates made by management.

Concentration of Credit Risk

Financial instruments that potentially subject GSS and Nourish, LLC to concentration of credit risk are cash and accounts receivable. GSS and Nourish, LLC maintain cash accounts at several financial institutions. At times, these accounts may exceed federally-insured limits. GSS and Nourish, LLC have not experienced any losses on these accounts. Accounts receivable consist of contributions, which were valued using Level 2 inputs, and amounts due from residents. Substantially all of the accounts receivable at June 30, 2017 are expected to be collected in 2018.

Income Tax Status

GSS qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Nourish, LLC is exempt from federal income tax as a disregarded entity formed by GSS. Nourish, LLC's operating agreement requires that (a) any income that is derived from its operations must be used or applied exclusively for such charitable purposes defined in Section 501(c)(3) of the Internal Revenue Code; (b) no portion of its net earnings shall inure to the benefit of, or be distributable to, any of its donors, directors or officers or to any other individual; and (c) upon dissolution, its remaining assets must be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

As a result, no provision or liability for income taxes is included in the accompanying consolidated financial statements.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. GSS and Nourish, LLC believe that they had no uncertain tax positions as defined in GAAP.

Summarized Prior-Year Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(3) PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Land and buildings	\$1,046,985	\$1,050,485
Building improvements	343,988	286,673
Furniture and equipment	<u>125,823</u>	<u>115,823</u>
	1,516,796	1,452,981
Less accumulated depreciation	<u>(253,499)</u>	<u>(172,306)</u>
Total property and equipment	<u>\$1,263,297</u>	<u>\$1,280,675</u>

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

(4) LINE OF CREDIT

GSS has a \$75,000 bank line of credit that expires March 2020. Advances under the credit line are payable on demand, bear interest at the Wall Street Journal's prime rate plus 2% and are secured by a mortgage on one of GSS' properties. There were advances outstanding of \$51,976 at June 30, 2017 and \$17,100 at June 30, 2016.

(5) NOTES PAYABLE

Notes payable at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
County of Chester Department of Community Development (a)	\$ 60,000	\$ 60,000
County of Chester Department of Community Development (b)	100,000	100,000
Mortgage payable, bank (c)	46,381	48,830
Mortgage payable, bank (d)	161,061	167,300
Mortgage payable, bank (e)	181,622	188,124
Loan payable, foundation (f)	55,000	60,000
Term note payable, bank (g)	27,264	35,092
Term note payable, bank (h)	<u>20,000</u>	<u>5,000</u>
	<u>\$651,328</u>	<u>\$664,346</u>

- (a) The proceeds from the \$60,000 loan from the County of Chester Department of Community Development were used to acquire the property located at 104-106 High Street in Phoenixville. The loan is non-interest bearing and payable in May 2020. GSS must maintain the property for use as transitional housing for low income persons for a period of 10 years beginning May 2010, after which time the loan will be forgiven in its entirety. The loan is secured by a mortgage on the property.
- (b) The proceeds from the \$100,000 loan from the County of Chester Department of Community Development were used to acquire the property located at 135-137 High Street in Phoenixville. The loan is non-interest bearing and payable in August 2020. GSS must maintain the property for use as transitional housing for low income persons for a period of 15 years beginning August 2005, after which time the loan will be forgiven in its entirety. The loan is secured by a mortgage on the property.
- (c) The mortgage payable to the bank was due in monthly installments of \$446, including interest at 6.375% through May 2015 at which time the remaining balance of \$51,496 was due. GSS and the bank renegotiated the terms of the related loan agreement such that the remaining balance of \$51,496 is due in 59 monthly installments of \$416, including interest at 5.25%, through May 2020 at which time the remaining balance of \$39,061 will be due. The payable is secured by a mortgage on GSS' real estate located at 104-106 High Street in Phoenixville.
- (d) The mortgage payable to the bank is due in monthly installments of \$1,131, including interest at 4.75%, through December 2034. In December 2021, the bank, at its option, may convert the interest rate from a fixed rate of 4.75% to a variable rate equal to the Wall Street Journal's prime rate plus .75%. This loan is secured by a mortgage on GSS real estate located at 25 West Locust Street in Ephrata.
- (e) The mortgage payable to the bank is due in monthly installments of \$1,268, including interest at 4.90% through October 2035. In October 2022, the bank, at its option, may convert the interest rate from a fixed rate of 4.90% to a variable rate equal to the Wall Street Journal prime rate plus .75%. This loan is secured by a mortgage on GSS' real estate located at 21 West Locust Street in Ephrata.

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

- (f) The loan payable to the foundation is due in six annual installments ranging from \$5,000 to \$15,000 from October 2016 to October 2022. This loan does not bear interest and is unsecured.
- (g) The term note payable to the bank is due in monthly installments of \$770, including interest at 4.35%, through August 2020, and is secured by a vehicle with a net book value of \$30,504 at June 30, 2017.
- (h) The term note payable to the bank is due in monthly installments of interest only through October 2020. In November 2020, the balance of the term note payable will be due in equal monthly installments of principal plus interest through October 2025. This term note payable bears interest at the Wall Street Journal prime rate plus 0.75% and is secured by substantially all of Nourish, LLC's assets. Nourish may borrow up to \$20,000 on this note.

Scheduled principal payments on all notes payable at June 30, 2017 are as follows:

Year ending June 30,

2018	\$ 30,300
2019	32,421
2020	133,698
2021	132,979
2022	33,830
Thereafter	<u>288,100</u>
	<u>\$651,328</u>

(6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 consisted of contributions received that were restricted for the following purposes:

	Balance June 30, 2016	Additions	Releases	Balance June 30, 2017
Purpose restrictions				
Matched savings program	\$ 7,222	\$ 5,000	\$ (7,500)	\$ 4,722
Microfinance program	4,889	2,034	(5,512)	1,411
Property and Equipment	-	25,000	-	25,000
Organizational planning	<u>-</u>	<u>37,890</u>	<u>(23,863)</u>	<u>14,027</u>
	12,111	69,924	(36,875)	45,160
Time restrictions				
For future periods	<u>25,000</u>	<u>65,000</u>	<u>(25,000)</u>	<u>65,000</u>
	<u>\$37,111</u>	<u>\$134,924</u>	<u>\$(61,875)</u>	<u>\$110,160</u>

(7) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2017 consisted of contributions received to establish an endowment fund, the income from which is unrestricted.

(8) LEASES

GSS leases office facilities in Phoenixville and in Ephrata under month-to-month leases. The lease for the office facility in Ephrata expired April 2016. Rent expense was \$6,600 for 2017 and \$8,850 for 2016.

THE GOOD SAMARITAN SHELTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

(9) DONATED SERVICES AND MATERIALS

Donated services and materials received are included in contributions and expenses in the accompanying statement of activities and consisted of the following:

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ 18,973	\$416,355
Food	109,500	109,500
Other	<u>5,317</u>	<u>12,231</u>
Total	<u>\$133,790</u>	<u>\$538,086</u>

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 5, 2018, the date on which the financial statements were available to be issued. Except as described below, no material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in the financial statements.

Effective December 1, 2017, GSS and Bridge of Hope Lancaster and Chester Counties ("**Bridge of Hope**") entered into a merger agreement pursuant to which GSS is the surviving corporation. The Bridge of Hope has offices in Coatesville, Pennsylvania and Lancaster, Pennsylvania. Its mission is to assist single mothers with dependent children experiencing homelessness to secure permanent housing, stability and access to resources in their community through relationships with professional staff and mentoring friendships from local congregations. The Bridge of Hope's net assets were approximately \$1,800,000 as of the effective date of the merger.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**The Board of Directors
The Good Samaritan Shelter, Inc.
Phoenixville, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Good Samaritan Shelter, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The Good Samaritan Shelter Inc. and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Good Samaritan Shelter Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of The Good Samaritan Shelter Inc. and Subsidiary's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Good Samaritan Shelter Inc. and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania
January 5, 2018**