

Good Samaritan Services and Subsidiary

Consolidated Financial Statements
Year Ended June 30, 2018



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

GOOD SAMARITAN SERVICES 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	16



INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
Good Samaritan Services
Phoenixville, Pennsylvania**

We have audited the accompanying consolidated financial statements of Good Samaritan Services (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2018, 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 Good Samaritan Services and Subsidiary as of June 30, 2018, 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 Good Samaritan Services and Subsidiary's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 December 11, 2018, on our consideration of Good Samaritan Services 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 Good Samaritan Services and Subsidiary's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
December 11, 2018**

GOOD SAMARITAN SERVICES AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2018 with comparative totals for 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 175,623	\$ 195,516
Accounts receivable		
Contributions	70,000	40,000
Grants	25,000	-
Other	5,950	6,699
Investments	1,175,852	-
Prepaid expenses and other	6,081	7,993
Property and equipment, net	<u>1,889,600</u>	<u>1,263,297</u>
Total assets	<u>\$3,348,106</u>	<u>\$1,513,505</u>
LIABILITIES		
Line of credit	\$ 45,991	\$ 51,976
Accounts payable and accrued expenses	82,235	67,094
Notes payable	<u>674,679</u>	<u>651,328</u>
Total liabilities	<u>802,905</u>	<u>770,398</u>
NET ASSETS		
Unrestricted	1,122,366	530,989
Temporarily restricted	330,464	110,160
Permanently restricted	<u>1,092,371</u>	<u>101,958</u>
Total net assets	<u>2,545,201</u>	<u>743,107</u>
Total liabilities and net assets	<u>\$3,348,106</u>	<u>\$1,513,505</u>

See accompanying notes

GOOD SAMARITAN SERVICES AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2018 with comparative totals 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2018	2017
REVENUE AND SUPPORT					
Contributions	\$1,106,133	\$ 74,064	\$ -	\$1,180,197	\$ 756,766
Government grants	63,000	-	-	63,000	52,984
Client service income	148,485	-	-	148,485	161,902
Special events, net of expenses of \$69,486 in 2018 and \$43,291 in 2017	112,417	-	-	112,417	107,702
Investment income	76	1,510	-	1,586	227
Other income	5,097	-	-	5,097	-
Net assets released from restrictions	108,606	(108,606)	-	-	-
Total revenue and support	<u>1,543,814</u>	<u>(33,032)</u>	<u>-</u>	<u>1,510,782</u>	<u>1,079,581</u>
EXPENSES					
Program services					
Housing	1,249,509	-	-	1,249,509	648,321
Mobile food	120,726	-	-	120,726	140,004
Supporting services					
General and administrative	116,625	-	-	116,625	58,557
Fundraising	221,285	-	-	221,285	175,829
Total expenses	<u>1,708,145</u>	<u>-</u>	<u>-</u>	<u>1,708,145</u>	<u>1,022,711</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(164,331)	(33,032)	-	(197,363)	56,870
OTHER CHANGES					
Net assets received in acquisition	755,708	253,336	990,413	1,999,457	-
CHANGE IN NET ASSETS	591,377	220,304	990,413	1,802,094	56,870
NET ASSETS					
Beginning of year	530,989	110,160	101,958	743,107	686,237
End of year	<u>\$1,122,366</u>	<u>\$ 330,464</u>	<u>\$1,092,371</u>	<u>\$2,545,201</u>	<u>\$ 743,107</u>

See accompanying notes

GOOD SAMARITAN SERVICES AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2018 with comparative totals for 2017

	<u>Housing</u>	<u>Mobile Food</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>	
					<u>2018</u>	<u>2017</u>
Salaries	\$ 454,356	\$ 40,482	\$ 42,085	\$144,233	\$ 681,156	\$ 412,382
Employee benefits	39,401	-	2,898	195	42,494	-
Payroll taxes	49,834	4,777	4,950	18,262	77,823	36,356
Bad debt expense	2,774	-	-	-	2,774	-
Bank fees	107	2,101	-	1,971	4,179	4,807
Depreciation	79,696	15,497	1,335	402	96,930	81,193
Dues and subscriptions	913	-	172	1,736	2,821	3,289
Insurance	30,992	-	2,115	5,044	38,151	27,257
Interest expense	23,359	4,445	-	-	27,804	28,301
Miscellaneous	10,742	832	19,915	17,443	48,932	16,970
Postage and shipping	-	-	657	1,533	2,190	3,194
Printing	3,929	-	3,617	7,401	14,947	4,216
Professional fees	84,743	1,623	18,436	19,791	124,593	66,263
Program expense	277,779	29,481	5,247	354	312,861	180,552
Real estate taxes	1,308	-	96	6	1,410	-
Rent expense	5,304	-	1,320	330	6,954	6,600
Repairs and maintenance	35,034	12,660	353	24	48,071	54,087
Supplies	14,066	1,553	10,754	1,402	27,775	15,569
Telephone	31,997	-	496	722	33,215	16,148
Travel	33,164	5,837	1,431	386	40,818	11,849
Utilities	70,011	1,438	748	50	72,247	53,678
Total expenses	\$1,249,509	\$120,726	\$116,625	\$221,285	\$1,708,145	\$1,022,711

See accompanying notes

GOOD SAMARITAN SERVICES AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2018 with comparative totals for 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 1,802,094	\$ 56,870
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Bad debt expense	2,774	-
Depreciation	96,930	81,193
Contribution of property and equipment	(24,051)	(18,973)
Net realized and unrealized losses on investments	21,134	-
Net assets received in acquisition	(1,999,457)	-
(Increase) decrease in assets		
Accounts receivable	(31,568)	(38,944)
Prepaid expenses and other	10,107	(3,756)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(28,987)	8,136
Net cash provided by (used in) operating activities	<u>(151,024)</u>	<u>84,526</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net sale of investments	14,470	-
Purchase of property and equipment	(21,624)	(44,842)
Cash received in acquisition	120,919	-
Net cash provided by (used in) activities	<u>113,765</u>	<u>(44,842)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on line of credit	(5,985)	34,876
Proceeds from issuance of notes payable	77,000	-
Repayment of notes payable	(53,649)	(13,018)
Net cash provided by financing activities	<u>17,366</u>	<u>21,858</u>
Net change in cash	(19,893)	61,542
CASH		
Beginning of year	<u>195,516</u>	<u>133,974</u>
End of year	<u>\$ 175,623</u>	<u>\$195,516</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest expense	<u>\$ 27,804</u>	<u>\$ 28,301</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of Bridge of Hope Lancaster and Chester Counties		
Cash	\$ 120,919	\$ -
Accounts receivable	25,457	-
Investments	1,211,456	-
Prepaid expenses and other assets	8,195	-
Property and equipment	677,558	-
Accounts payable and accrued expenses	(44,128)	-
Net assets received in acquisition	<u>\$ 1,999,457</u>	<u>\$ -</u>

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

(1) NATURE OF OPERATIONS

Good Samaritan Services ("**GSS**") is a Pennsylvania nonprofit organization created in 1999. Good Samaritan Services provides emergency shelter, transitional housing, permanent housing and supportive services to individuals and families experiencing homelessness in Lancaster and Chester Counties. It owns 9 properties which are used for emergency shelter and transitional housing, serving up to 70 people every day. The Bridge of Hope @ Good Samaritan Services program serves an additional 50 single mothers and their children daily. Throughout all its programs, it impacts over 400 people every year. 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.

In December 2017, The Good Samaritan Shelter, Inc. changed its name to Good Samaritan Services.

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, the residents 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, the residents 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.

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

On December 1, 2017, GSS entered into a merger agreement with Bridge of Hope Lancaster and Chester Counties ("**BOH**") pursuant to which GSS is the surviving organization. BOH was a nonprofit organization with offices located in Coatesville and Lancaster, Pennsylvania. The mission of BOH was to assist single mothers with dependent children, who are experiencing homelessness, to secure permanent housing, achieve stability and gain access to resources in their community through relationships with professional staff and mentoring friendships from local congregations. The services and programs previously provided by BOH are currently provided by GSS.

For accounting purposes, the merger was treated as an acquisition, such that BOH's assets and liabilities were recorded at fair value as of December 1, 2017. GSS did not exchange any consideration in connection with the merger. The recognized amounts of identifiable assets acquired and liabilities assumed as of December 1, 2017 were as follows:

Cash	\$ 120,919
Accounts receivable	25,457
Investments	1,211,456
Prepaid expenses and other assets	8,195
Property and equipment	677,558
Accounts payable and accrued expenses	<u>(44,128)</u>
Net assets received at acquisition	<u>\$1,999,457</u>

(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.

Basis of Accounting

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

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

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.

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, 2018. GSS does not charge interest on outstanding balances.

Investments and Investment Income

Investments in debt and equity securities with readily determinable fair values are reported at fair value as determined by quoted market prices with gains and losses included in the statement of activities. Dividend and interest income is recorded as earned. Restricted investment income whose restrictions are satisfied in the same period are reported as unrestricted.

Donated investments are recorded at fair value at the date of receipt.

GSS invests in a professionally-managed portfolio that contains various types of securities (**See Note 3**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balance and the amounts reported in the financial statements.

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.

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

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 consolidated 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.

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, grants and amounts due from clients. Substantially all of the accounts receivable at June 30, 2018 are expected to be collected in 2019.

Income Tax Status

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

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

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, 2017, from which the summarized information was derived.

(3) INVESTMENTS

Investments consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 10,600	\$ -
Mutual funds – fixed income	408,502	-
Mutual funds – equity	<u>756,750</u>	<u>-</u>
Total investments	<u>\$1,175,852</u>	<u>\$ -</u>

Investments were valued using Level 1 inputs.

Investment income consisted of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 27,914	\$ 227
Net realized gains	27,397	-
Net unrealized losses	(48,531)	-
Investment management fees	<u>(5,194)</u>	<u>-</u>
Total investment income	<u>\$ 1,586</u>	<u>\$ 227</u>

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land and buildings	\$1,618,964	\$1,046,985
Building improvements	493,070	343,988
Furniture and equipment	<u>155,734</u>	<u>125,823</u>
	2,267,768	1,516,796
Less accumulated depreciation	<u>(378,168)</u>	<u>(253,499)</u>
Total property and equipment	<u>\$1,889,600</u>	<u>\$1,263,297</u>

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

(5) 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 \$45,991 at June 30, 2018 and \$51,976 at June 30, 2017.

(6) NOTES PAYABLE

Notes payable at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</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)	43,797	46,381
Mortgage payable, bank (d)	154,954	161,061
Mortgage payable, bank (e)	175,286	181,622
Loan payable, foundation (f)	48,000	55,000
Term note payable, bank (g)	19,061	27,264
Term note payable, bank (h)	-	20,000
Term note payable, bank (i)	<u>73,581</u>	<u>-</u>
	<u>\$674,679</u>	<u>\$651,328</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.
- (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 2021. This loan does not bear interest and is unsecured.
-

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

- (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 \$20,611 at June 30, 2018.
- (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. The note was paid off in 2018.
- (i) The term note payable to the bank is due in monthly installments of \$1,464, including interest at 5.25%, through March 2023, and is secured by a mortgage on the property located at 318 Main Street in Phoenixville.

Scheduled principal payments on all notes payable at June 30, 2018 are as follows:

Year ending June 30,

2019	\$ 46,410
2020	148,474
2021	146,228
2022	46,517
2023	30,703
Thereafter	<u>256,347</u>
	<u>\$674,679</u>

(7) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 consisted of contributions received that were restricted for the following purposes:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2018</u>
Purpose restrictions				
Matched savings program	\$ 4,722	\$ 7,509	\$ (3,000)	\$ 9,231
Microfinance program	1,411	1,455	(1,065)	1,801
Property and equipment	25,000	-	(8,000)	17,000
Organizational planning	14,027	-	(14,027)	-
Getting Ahead Workshop	-	7,600	-	7,600
Other programs	-	5,502	(400)	5,102
	<u>45,160</u>	<u>22,066</u>	<u>(26,492)</u>	<u>40,734</u>
Time restrictions				
Unrealized appreciation on investments	-	249,344	(37,114)	212,230
For future periods	65,000	57,500	(45,000)	77,500
	<u>65,000</u>	<u>306,844</u>	<u>(82,114)</u>	<u>289,730</u>
	<u>\$110,160</u>	<u>\$328,910</u>	<u>\$(108,606)</u>	<u>\$330,464</u>

The additions of \$328,910 include \$253,336 received in the merger with BOH.

(8) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2018 consisted of endowments, the income from which is unrestricted and restricted for renovations at the Coatesville office.

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

An accounting standard exists which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). GSS is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, GSS has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. GSS' spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The spending policy distributes an amount equal to a specified percentage of a moving three-year average of the fair value of the endowment funds.

Endowment net assets consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash	\$ 128,749	\$101,958
Investments	<u>1,175,852</u>	<u>-</u>
	<u>\$1,304,601</u>	<u>\$101,958</u>

Changes in the endowment net assets for the year ended June 30, 2018 were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at July 1, 2017	\$ -	\$ 101,958	\$ 101,958
Merger with BOH	247,834	990,413	1,238,247
Investment gain	1,510	-	1,510
Withdrawals	<u>(37,114)</u>	<u>-</u>	<u>(37,114)</u>
Balance at June 30, 2018	<u>\$212,230</u>	<u>\$1,092,371</u>	<u>\$1,304,601</u>

(9) LEASES

GSS leases an office facility in Phoenixville under a month-to-month lease. Rent expense was \$6,954 for 2018 and \$6,600 for 2017.

(10) DONATED SERVICES AND MATERIALS

Donated services and materials received are included in contributions and property and equipment or expenses in the accompanying consolidated financial statements and consisted of the following:

	<u>2018</u>	<u>2017</u>
Property and equipment	\$ 24,051	\$ 18,973
Food	113,569	109,500
Other	22,202	5,317
Professional services	45,600	-
Program supplies	<u>72,546</u>	<u>-</u>
Total	<u>\$277,968</u>	<u>\$133,790</u>

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

(11) RETIREMENT PLAN

GSS offers a Simple IRA plan for employees. The plan provides for GSS to make matching contributions of up to 3% of employees' compensation. GSS' contributions to the plan were \$12,347 for 2018.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2018, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2018 that required recognition or disclosure in the consolidated financial statements, except as noted below.

Employment is a foundational part of helping people get back on their feet in a sustainable way. Our job training program helps those who are experiencing homelessness gain valuable work experience and find a pathway to financial stability and independent living.

Launched in 2015, Nourish Mobile Market was a bold and innovative program that serves as a model for our region. In three years we paid **over \$100,000** in wages to residents of our shelter program while providing much-needed multidisciplinary job training.

Nourish Mobile Market operated seasonally with stops across Lancaster and Chester Counties, selling fresh produce and delicious treats.

However, since the launch of the program in 2015, Good Samaritan Services has evolved significantly. We have acquired two additional properties, merged with Bridge of Hope Lancaster and Chester Counties and tripled the number of clients we are serving in Lancaster and Chester Counties.

To better serve the needs of our clients, we have decided to transform our existing Nourish Mobile Market program into a comprehensive job training program that will serve more of our clients in even more meaningful, lasting ways, and which better fits our current organization. We have been working on a new job training program that will launch in 2019. This classroom-based approach will serve more of our clients, across all of our locations.

The Nourish program has been terminated as of November 3, 2018. All assets will be sold and liabilities retired from the proceeds.

We are proud of Nourish Mobile Market and the accomplishments we achieved in 3 years. It will forever be a part of our history.



**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
Good Samaritan Services
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 Good Samaritan Services (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2018, 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 December 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Good Samaritan Services 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 Good Samaritan Services and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Good Samaritan Services 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 Good Samaritan Services 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
December 11, 2018**