

Good Samaritan Services and Subsidiary

Consolidated Financial Statements
Year Ended June 30, 2019



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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	17



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, 2019, 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, 2019, 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 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 September 19, 2019, 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
September 19, 2019**

GOOD SAMARITAN SERVICES AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019 with comparative totals for 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 98,644	\$ 175,623
Accounts receivable		
Contributions	13,286	70,000
Grants	3,492	25,000
Other	-	5,950
Investments	1,285,440	1,175,852
Prepaid expenses and other	1,150	6,081
Property and equipment, net	<u>1,765,379</u>	<u>1,889,600</u>
Total assets	<u>\$3,167,391</u>	<u>\$3,348,106</u>
LIABILITIES		
Line of credit	\$ -	\$ 45,991
Accounts payable and accrued expenses	49,201	82,235
Notes payable	<u>911,294</u>	<u>674,679</u>
Total liabilities	<u>960,495</u>	<u>802,905</u>
NET ASSETS		
Without donor restrictions	888,386	1,141,011
With donor restrictions	<u>1,318,510</u>	<u>1,404,190</u>
Total net assets	<u>2,206,896</u>	<u>2,545,201</u>
Total liabilities and net assets	<u>\$3,167,391</u>	<u>\$3,348,106</u>

See accompanying notes

GOOD SAMARITAN SERVICES AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2019 with comparative totals 2018

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
REVENUE AND SUPPORT				
Contributions	\$1,109,336	\$ 10,500	\$1,119,836	\$1,180,197
Government grants	32,482	-	32,482	63,000
Client service income	139,790	-	139,790	148,485
Special events, net of expenses of \$46,085 in 2019 and \$69,486 in 2018	136,345	-	136,345	112,417
Investment income	-	72,254	72,254	1,586
Other income	419	-	419	5,097
Net assets released from restrictions	168,434	(168,434)	-	-
Total revenue and support	<u>1,586,806</u>	<u>(85,680)</u>	<u>1,501,126</u>	<u>1,510,782</u>
EXPENSES				
Program services				
Housing	1,421,910	-	1,421,910	1,249,509
Mobile food	47,337	-	47,337	120,726
Supporting services				
General and administrative	154,702	-	154,702	116,625
Fundraising	215,482	-	215,482	221,285
Total expenses	<u>1,839,431</u>	<u>-</u>	<u>1,839,431</u>	<u>1,708,145</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(252,625)	(85,680)	(338,305)	(197,363)
OTHER CHANGES				
Net assets received in acquisition	-	-	-	1,999,457
CHANGE IN NET ASSETS	(252,625)	(85,680)	(338,305)	1,802,094
NET ASSETS				
Beginning of year	<u>1,141,011</u>	<u>1,404,190</u>	<u>2,545,201</u>	<u>743,107</u>
End of year	<u>\$ 888,386</u>	<u>\$1,318,510</u>	<u>\$2,206,896</u>	<u>\$2,545,201</u>

See accompanying notes

GOOD SAMARITAN SERVICES AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019 with comparative totals for 2018

	<u>Housing</u>	<u>Mobile Food</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>	
					<u>2019</u>	<u>2018</u>
Salaries	\$ 563,003	\$16,819	\$ 92,743	\$112,573	\$ 785,138	\$ 681,156
Employee benefits	59,003	-	10,130	12,296	81,429	42,494
Payroll taxes	47,469	2,171	8,150	9,892	67,682	77,823
Bad debt expense	1,591	-	-	-	1,591	2,774
Bank fees	6,024	1,986	1,063	-	9,073	4,179
Depreciation	91,887	5,737	1,406	469	99,499	96,930
Dues and subscriptions	1,010	-	500	4,841	6,351	2,821
Insurance	38,837	-	4,171	6,256	49,264	38,151
Interest expense	35,262	570	-	-	35,832	27,804
Miscellaneous	13,818	6,481	4,356	12,054	36,709	48,932
Postage and shipping	-	-	1,341	3,128	4,469	2,190
Printing	-	-	-	26,009	26,009	14,947
Professional fees	20,343	928	16,798	24,277	62,346	124,593
Program expense	341,704	8,786	-	-	350,490	312,861
Real estate taxes	6,831	-	105	35	6,971	1,410
Rent expense	9,379	-	2,345	617	12,341	6,954
Repairs and maintenance	49,632	991	4,885	1,221	56,729	48,071
Supplies	6,326	-	4,893	716	11,935	27,775
Telephone	35,449	333	739	739	37,260	33,215
Travel	23,957	1,847	-	-	25,804	40,818
Utilities	70,385	688	1,077	359	72,509	72,247
Total expenses	<u>\$1,421,910</u>	<u>\$47,337</u>	<u>\$154,702</u>	<u>\$215,482</u>	<u>\$1,839,431</u>	<u>\$1,708,145</u>

See accompanying notes

GOOD SAMARITAN SERVICES AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2019 with comparative totals for 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (338,305)	\$ 1,802,094
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Bad debt expense	1,591	2,774
Depreciation	99,499	96,930
Contribution of property and equipment	(12,000)	(24,051)
Loss on sale of property and equipment	5,634	-
Net realized and unrealized (gain) loss on investments	(29,109)	21,134
Net assets received in acquisition	-	(1,999,457)
(Increase) decrease in assets		
Accounts receivable	82,581	(31,568)
Prepaid expenses and other	4,931	10,107
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(33,034)	(28,987)
Net cash used for operating activities	<u>(218,212)</u>	<u>(151,024)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments	(80,479)	14,470
Purchase of property and equipment	(2,912)	(21,624)
Proceeds from sale of property and equipment	34,000	-
Cash received in acquisition	-	120,919
Net cash provided by (used for) activities	<u>(49,391)</u>	<u>113,765</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayments on line of credit	(45,991)	(5,985)
Proceeds from issuance of notes payable	300,000	77,000
Repayment of notes payable	(63,385)	(53,649)
Net cash provided by financing activities	<u>190,624</u>	<u>17,366</u>
Net change in cash	(76,979)	(19,893)
CASH		
Beginning of year	175,623	195,516
End of year	<u>\$ 98,644</u>	<u>\$ 175,623</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest expense	<u>\$ 35,832</u>	<u>\$ 27,804</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>\$ -</u>	<u>\$ 1,999,457</u>

See accompanying notes

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

(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 Permanent Housing 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.

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. To better serve the needs of our clients, we transformed our existing Nourish Mobile Market program into a comprehensive job training program that serves more of our clients in even more meaningful, lasting ways, and which better fits our current organization. This classroom-based approach serves more of our clients across all of our locations. The mobile food market program was terminated as of November 3, 2018 and all of its assets were sold and its liabilities were retired from the proceeds.

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

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 classes of net assets:

Without donor restrictions

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

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of GSS and Nourish, LLC and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

This category also includes net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be satisfied by actions of GSS and Nourish, LLC.

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, 2019

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, 2019. 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 consolidated 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 without donor restrictions.

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 net assets without donor restrictions 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 increases in net assets with donor restrictions. 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, 2019

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 net assets without donor restrictions or net assets with donor restrictions 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 without donor restrictions.

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. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated based upon estimates of time and effort or relative square footage.

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, 2019 are expected to be collected in 2020.

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

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, 2018, from which the summarized information was derived.

Accounting Pronouncement Adopted

On August 18, 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. GSS and Nourish, LLC have adjusted the presentation of the consolidated financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the consolidated financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (**Note 12**).

Reclassifications

Certain reclassifications have been made to the 2018 comparative information to conform to the presentation in the 2019 financial statements.

(3) INVESTMENTS

Investments consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 5,420	\$ 10,600
Mutual funds – fixed income	519,589	408,502
Mutual funds – equity	<u>760,431</u>	<u>756,750</u>
Total investments	<u>\$1,285,440</u>	<u>\$1,175,852</u>

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

Investments were valued using Level 1 inputs.

Investment income consisted of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 51,073	\$ 27,914
Net realized gain	42,270	27,397
Net unrealized loss	(13,161)	(48,531)
Investment management fees	<u>(8,114)</u>	<u>(5,194)</u>
Total investment income	<u>\$ 72,068</u>	<u>\$ 1,586</u>

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 114,597	\$ 114,597
Buildings and improvements	2,000,349	1,997,437
Furniture and equipment	<u>78,630</u>	<u>155,734</u>
	2,193,576	2,267,768
Less accumulated depreciation	<u>(428,197)</u>	<u>(378,168)</u>
Total property and equipment	<u>\$1,765,379</u>	<u>\$1,889,600</u>

(5) LINE OF CREDIT

GSS has a \$150,000 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 no advances outstanding at June 30, 2019. There were advances outstanding of \$45,991 at June 30, 2018.

(6) NOTES PAYABLE

Notes payable at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</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)	41,074	43,797
Mortgage payable, bank (d)	148,611	154,954
Mortgage payable, bank (e)	168,633	175,286
Loan payable, foundation (f)	38,000	48,000
Term note payable, bank (g)	-	19,061
Term note payable, bank (h)	59,596	73,581
Term note payable, bank (i)	<u>295,380</u>	<u>-</u>
	<u>\$911,294</u>	<u>\$674,679</u>

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

- (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.
- (g) The term note payable to the bank is due in monthly installments of \$770, including interest at 4.35%, through August 2020, and was secured by a vehicle. In 2019, the vehicle was sold and the loan was paid in full.
- (h) 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.
- (i) The term note payable to the bank is due in monthly installments of \$2,164, including interest at 6%, through November 2025 and monthly payments of \$1,493, plus interest at a variable rate from December 2025 through November 2038. This loan is secured by a mortgage on the property located at 616 N Lime Street in Lancaster.

Scheduled principal payments on all notes payable at June 30, 2019 are as follows:

Year ending June 30,

2020	\$146,028
2021	153,967
2022	56,082
2023	40,861
2024	30,013
Thereafter	<u>484,343</u>
	<u>\$911,294</u>

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 consisted of contributions and investment income restricted for the following purposes:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance June 30, 2019</u>
Purpose restrictions				
Matched savings program	\$ 9,231	\$ -	\$ (3,600)	\$ 5,631
Microfinance program	1,801	-	(138)	1,663
Property and equipment	17,000	-	(17,000)	-
Property maintenance	-	10,500	-	10,500
Getting Ahead Workshop	7,600	-	(5,553)	2,047
Office renovations	10,104	-	-	10,104
Other programs	5,102	-	(1,977)	3,125
	<u>50,838</u>	<u>10,500</u>	<u>(28,268)</u>	<u>33,070</u>
Time restrictions				
Unrealized appreciation on investments	212,230	72,254	(62,666)	221,818
For future periods	77,500	-	(77,500)	-
	<u>289,730</u>	<u>72,254</u>	<u>(140,166)</u>	<u>221,818</u>
Net assets to be maintained indefinitely				
Endowments	<u>1,063,622</u>	<u>-</u>	<u>-</u>	<u>1,063,622</u>
	<u>\$1,404,190</u>	<u>\$82,754</u>	<u>\$(168,434)</u>	<u>\$1,318,510</u>

(8) ENDOWMENT

Net assets with donor restrictions to be maintained indefinitely at June 30, 2019 consisted of two endowments, the income from both of which is without donor restrictions.

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ -	\$ 100,000
Investments	<u>1,285,440</u>	<u>1,175,852</u>
	<u>\$1,285,440</u>	<u>\$1,275,852</u>

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

Changes in the endowment net assets for the year ended June 30, 2019 were as follows:

	<u>Time Restricted</u>	<u>To be Maintained Indefinitely</u>	<u>Total</u>
Balance at July 1, 2018	\$212,230	\$1,063,622	\$1,275,852
Investment gain	72,254	-	72,254
Withdrawals	<u>(62,666)</u>	<u>-</u>	<u>(62,666)</u>
Balance at June 30, 2019	<u>\$221,818</u>	<u>\$1,063,622</u>	<u>\$1,285,440</u>

(9) LEASES

GSS leases office facilities in Phoenixville and storage space in Ephrata under month-to-month leases. Rent expense was \$12,341 for 2019 and \$6,954 for 2018.

(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>2019</u>	<u>2018</u>
Property and equipment	\$ 12,000	\$ 24,051
Food	116,323	113,569
Professional services	-	45,600
Program supplies	96,470	72,546
Other	<u>17,527</u>	<u>22,202</u>
Total	<u>\$242,320</u>	<u>\$277,968</u>

(11) RETIREMENT PLAN

GSS offers a Simple IRA plan for employees. The plan provides for GSS to make matching contributions up to 3% of employees' compensation. GSS' contributions to the plan were \$16,326 for 2019 and \$12,347 for 2018.

(12) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects GSS' and Nourish, LLC's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash	\$ 98,644
Accounts receivable	16,778
Investments	<u>1,285,440</u>
Total financial assets	1,400,862
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes	(33,070)
Unrealized appreciation on investments, excluding portion available to be withdrawn in 2020	(161,917)
Restricted by donor to be maintained indefinitely	<u>(1,063,622)</u>
Total financial assets available within one year	<u>\$ 142,253</u>

GOOD SAMARITAN SERVICES AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

As part of GSS' and Nourish, LLC's liquidity management, they have a policy to structure their financial assets to be available as their general expenditures, liabilities and other obligations become due. GSS' and Nourish invest cash in excess of their requirements in a money market fund. In order to manage any liquidity deficiencies or unanticipated liquidity needs, GSS has a committed line of credit of \$150,000.

(13) CONTINGENCY

GSS has a program through which it has guaranteed repayment of loans payable of several of its tenants. The balance of loans payable at June 30, 2019 under the program that GSS has guaranteed is \$14,264.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2019, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2019 that required recognition or disclosure in the consolidated financial statements.



**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, 2019, 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 September 19, 2019.

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
September 19, 2019**