

**PLEASANT VALLEY
ECUMENICAL NETWORK**

**Financial Statements
For the Years Ended
December 31, 2018 and 2017**

PLEASANT VALLEY ECUMENICAL NETWORK
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Independent Accountant's Review Report

To the Board of Directors of
Pleasant Valley Ecumenical Network

We have reviewed the accompanying financial statements of Pleasant Valley Ecumenical Network (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America, We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Known Departure From Accounting Principles Generally Accepted in the United States of America

As disclosed in Note 1 to these financial statements, accounting principles generally accepted in the United States of America require that the end of year cost of inventory on hand be reflected in the financial statements. Management has informed me the inventory cost is not recorded on the financial statements and that the effects of this departure from the accounting principles generally accepted in the United States of America on the financial statements has not been determined.

Francis X. Mullane Inc.

Brodheads ville, PA
November 14, 2019

**Pleasant Valley Ecumenical Network
Statement of Financial Position
December 31, 2018 and 2017**

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	<u>2018</u>	<u>2017</u>
ASSETS		
<i>Current Assets</i>		
Cash - Checking	\$97,282	\$129,925
Cash - Savings	1,823	1,823
Cash - Building fund	18,016	12,704
Cash accounts - held in escrow	26,945	27,946
Grants receivable	22,428	4,090
Deposit	534	534
Prepaid expenses	1,782	421
Total Current Assets	<u>168,810</u>	<u>177,443</u>
<i>Property and Equipment</i>		
Buildings and improvements	875,390	803,438
Equipment	15,986	15,702
Accumulated depreciation	(20,302)	(115,333)
Total Property and Equipment	<u>871,074</u>	<u>703,807</u>
<i>Other Assets</i>		
Note receivable	<u>15,000</u>	<u>-</u>
Total Assets	<u>\$1,054,884</u>	<u>\$881,250</u>
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts payable	\$5,702	\$16,115
Tenant rent deposit	3,298	3,298
Accrued income taxes	1,461	-
Bank error payable	-	3,000
Payroll taxes withheld	2,888	3,208
Total Current Liabilities	<u>13,349</u>	<u>25,621</u>
<i>Long Term Liabilities</i>		
Mortgage payable	395,412	297,405
<i>Net Assets</i>		
Without donor restrictions	632,873	550,724
With donor restrictions	13,250	7,500
Total Net Assets	<u>646,123</u>	<u>558,224</u>
Total Liabilities and Net Assets	<u>\$1,054,884</u>	<u>\$881,250</u>

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FRANCIS X. MULLANE, INC.
Certified Public Accountant

Pleasant Valley Ecumenical Network
Statement of Activities
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in Net Assets Without Donor Restrictions		
<i>Public Support</i>		
General contributions	\$410,245	\$685,825
Government grants	162,293	172,971
Total Support	<u>572,538</u>	<u>858,796</u>
<i>Revenue</i>		
Miscellaneous	2,107	2,868
Fundraisers (net of \$1,483 and \$3,012 expenses)	5,625	12,753
Rental income	54,930	34,735
Interest income	62	67
Total Revenue	<u>62,724</u>	<u>50,423</u>
<i>Net assets released from restrictions</i>	7,500	1,500
Total Unrestricted Support and Revenue	<u>642,762</u>	<u>910,719</u>
<i>Expenses</i>		
Client services	459,713	462,493
Rental expenses	31,463	20,696
Management and General Expenses	58,274	49,919
Total Expenses	<u>549,450</u>	<u>533,108</u>
<i>Increase(Decrease) in Net Assets Without Donor Restrictions</i>	93,312	377,611
Changes in Net Assets With Donor Restrictions		
Grant	13,250	7,500
Net assets released from restrictions	(7,500)	(1,500)
<i>Increase(Decrease) in Net Assets With Donor Restrictions</i>	<u>5,750</u>	<u>6,000</u>
Loss from sale of capital asset (unrestricted)	<u>(11,163)</u>	<u>-</u>
<i>Increase (decrease) in Net Assets</i>	87,899	383,611
Net Assets, January 1	558,224	174,613
Net Assets, December 31	<u><u>\$646,123</u></u>	<u><u>558,224</u></u>

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Pleasant Valley Ecumenical Network
Statement of Cash Flows
Years Ended December 31, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
<i>Cash Flows From Operating Activities</i>		
Change in net assets	\$87,899	\$383,611
Noncash expenses, liabilities and gains included in income:		
Depreciation	15,866	8,937
(Increase)decrease deposit		(618)
Increase(decrease) payroll taxes withheld	(321)	2,040
Increase(decrease) tenant deposits	-	3,298
(Increase)decrease prepaid expenses	(1,361)	
(Increase)decrease grants receivable	(18,338)	10,498
Increase due to bank error	(3,000)	3,000
Increase (decrease) in accounts payable	(10,413)	6,486
Net Cash Flow Provided(Used) by Operation	<u>70,332</u>	<u>417,252</u>
<i>Cash Flows From Investing Activities</i>		
Add back basis of building sold	43,913	-
Redemption certificate of deposit	-	8,183
Equipment purchases	(756)	(10,103)
New building improvements	(226,289)	(143,250)
Net Cash Flow Provided(Used) by Investing	<u>(183,132)</u>	<u>(145,170)</u>
<i>Cash Flows From Financing Activities</i>		
Note receivable, sale of building	(15,000)	-
Repayment of mortgage payable	(1,993)	(227,595)
Cash proceeds from mortgage	100,000	25,000
Net Cash Flow Used by Financing	<u>83,007</u>	<u>(202,595)</u>
Total Net Cash Flow	(29,793)	69,487
Cash at beginning of year	<u>172,398</u>	<u>102,911</u>
Cash at end of year	<u>\$142,605</u>	<u>\$172,398</u>
<u>Supplemental Information:</u>		
Interest paid	<u>\$16,649</u>	<u>\$10,999</u>
Noncash investing and financing activities		
Building acquired by assuming liabilities	<u>-</u>	<u>\$500,000</u>

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FRANCIS X. MULLANE, INC.
Certified Public Accountant

Pleasant Valley Ecumenical Network
Schedule of Functional Expenses
Years Ended December 31, 2018 and 2017

	<u>Client</u> <u>Services</u>	<u>Rental</u>	<u>Management</u> <u>& General</u> <u>Expenses</u>	<u>Total</u> <u>2018</u>	<u>Total</u> <u>2017</u> <i>Summarized</i>
Food purchased	\$43,989	-	-	\$43,989	\$45,054
Food donated	266,396	-	-	266,396	278,530
Clothing purchased	846	-	-	846	967
Toys (donated and purchased)	36,863	-	-	36,863	63,189
Summer lunch program costs	26,930	-	-	26,930	26,895
Supplies	806	-	-	806	1,019
Clothing donated	12,000	-	-	12,000	12,000
Insurance		\$3,574	\$6,442	10,016	9,660
Professional fees	3,682	2,459		6,141	1,213
Office supplies	-	-	2,658	2,658	698
Postage	-	-	792	792	999
Fundraiser mailing	-	-	1,221	1,221	1,312
Marketing and advertising	-	-	2,122	2,122	1,229
Repairs & maintenance	6,066	4,828	6,066	16,960	6,325
Mortgage interest	4,995	6,660	4,994	16,649	4,395
Miscellaneous	-	-	3,354	3,354	4,073
Salary	34,134	-	14,629	48,763	33,206
Payroll taxes	2,612	-	1,119	3,731	2,540
Income taxes on unrelated incom	-	3,541	-	3,541	-
Property taxes	6,081	4,054	-	10,135	23,185
Telephone & Internet costs	-	-	2,498	2,498	1,599
Utilities	6,458	-	6,458	12,916	6,083
Trash removal	-	1,703	2,554	4,257	-
Depreciation	7,855	4,644	3,367	15,866	8,937
Total Expenses	\$459,713	\$31,463	\$58,274	\$549,450	\$533,108

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Pleasant Valley Ecumenical Network
Notes to Financial Statements
Year Ended December 31, 2018

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Note 1 - Summary of Significant Accounting Policies

Nature of Activities

The Pleasant Valley Ecumenical Network (PVEN) is a nonprofit corporation formed March 23, 1989. It is a community service organization, organized by and made up of area churches, which provides food and clothing (free of charge) to all residents in need. The clothing and food is donated by members of the community and received through government programs. Its service area is the West End of Monroe County, Pennsylvania.

Plant, Assets and Depreciation

PVEN's policy is to capitalize property and equipment over \$500. Purchased property and equipment are recorded at cost and donated equipment and property are valued at their estimated fair value. 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. The Organization reports the expiration of donor restrictions when the donated or acquired asset is placed in service. The Network reclassifies restricted net assets to unrestricted assets at that time.

PVEN provides for depreciation using the straight-line method, charging revenues in amounts estimated to recover the cost of the property over their estimated useful life. Rates used to calculate depreciation are as follows:

Buildings and improvements 10 - 40 years
Equipment 5 - 7 years

Revenue Recognition

Contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Grants and contributions received with donor restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Pleasant Valley Ecumenical Network
Notes to Financial Statements
Year Ended December 31, 2018

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Note 1 - Summary of Significant Accounting Policies (continued)

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, which is allocated on the basis of estimates of time and effort, as well as depreciation, and occupancy, which are allocated accorded to building use by the categories.

Income Tax Status

PVEN is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. PVEN rents out part of its real property. Since the property is debt financed, income tax is due on a portion of the net rental income.

Cash and Cash Equivalents

For purposes of the statements of cash flows PVEN considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Revenues

PVEN receives donations from area churches, individuals, organizations and local business as well as grants from Pennsylvania state programs managed by Monroe County and Pennsylvania Department of Education, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Pleasant Valley Ecumenical Network
Notes to Financial Statements
Year Ended December 31, 2018

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Note 1 - Summary of Significant Accounting Policies (continued)

Donated and Contributed Services and Goods

PVEN receives donated clothes, toys and food to be distributed to local residents as needed. These goods are recorded as support and as a matching expense. The values are determined by the weight of the donations valued at current rates determined by third party organizations.

PVEN receives donated services from a variety of unpaid volunteers in the performance of its programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Network that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions. When a restriction expires, restricted net assets are reclassified to net assets without restrictions.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Inventory

Accounting principles generally accepted in the United States of America require that the end of year cost of inventory on hand be reflected in the financial statements. Since most of the Network's clothing and food have been donated and are valued by weight, management has determined that it is not practical to place a value on goods not yet given away. Therefore PVEN does not record a value for inventory on the statement of financial position nor on the statement of activities. Food and clothing are expensed as they are purchased and/or received as a donation.

Pleasant Valley Ecumenical Network
Notes to Financial Statements
Year Ended December 31, 2018

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Note 2 - Depreciation Expense

Depreciation for 2018 and 2017 was \$15,866 and \$8,937, respectively

Note 3 - Assets With Donor Restrictions

The Network received a \$7,500 grant to be used operation of the summer lunch program for children in its service area. Fifty Percent of the funds were unused as of December 31, 2018. The Network also received a \$9,500 grant for improvements in the food pantry which was not used until 2019.

Note 4 - Concentrations

The Network receives a substantial amount of its support from the member local churches and organizations. A significant reduction in the level of this support, if it were to occur, may have an effect on the Network's programs and activities. The Network also receives Pennsylvania state grants through Monroe County and the Pennsylvania Department of Education (See Note 6). The amount is determined each year based on availability and funding.

Note 5 - Government Grants

The Network received funds through the Monroe County State Food Purchase Program for the purchase of food to be distributed to those in need in the community. The moneys are paid to PVEN as reimbursement for purchased food items. PVEN received \$45,951 and \$43,436 in the years ended December 31, 2018 and 2017, respectively. PVEN also received a \$20,355 and \$22,275 SFSP grant in 2018 and 2017 respectively from the Pennsylvania Department of Education to fund a summer lunch program. This grant is based on the number of meals served to eligible recipients.

The Network acts as a distributor for the Federal TEFAP program, where certain food items, as available, are given to the network through Monroe County, PA to be distributed to those in need. The total amount of food received in 2018 and 2017 through these programs is 57,135 and 62,000 pounds, respectfully. They are valued for the financial statements at \$1.68 and \$1.72 per pound, resulting in \$95,987 and \$107,260 in grants for 2018 and 2017.

Note 10 - Donated Food and Clothing From Public (continued)

Both types of donated items are recorded as an offsetting expense since PVEN does not record inventory on the financial statements (See Note 1).

Note 11 - Building Complex and Rental Portion

In 2017 PVEN purchased a complex of buildings and land on Route 209 in Brodheadsville, PA. As of September, 2018 renovations were complete and the complex began to serve as its operational center. Parts of the property were rented out to other non profits and businesses in 2018. The building, renovations and land costs allocated for PVEN's use as of December 31, 2018 total \$641,760. Those costs allocated to the rental portions total \$233,629.

The tenants are on month to month leases.

Note 12 - Mortgage Payable

PVEN has a mortgage from the First Northern Bank used in the purchase of and guaranteed by the Route 209 property. The balance of the mortgage as of December 31, 2018 and 2017 was \$395,412 and \$297,405, respectively. Payments are interest only for the first three years (May, 2017 through April, 2020) with principal reductions to be made dependent on the outcome of the Capital Campaign. Subsequent loan payments to be determined. The final payment is currently scheduled for February 24, 2027. The loan has a 4.375% rate of interest fixed for first five years. Mortgage interest expense for 2018 and 2017 was \$16,949 and \$10,999 (of which \$6,604 was capitalized as part of the new building cost).

Note 13 - Note Receivable.

PVEN sold the previous operations building on November 1, 2018 for \$35,000. As part of the sales agreement, PVEN accepted a judgment note for \$15,000 at zero percent interest. The note will be repaid in seven yearly installments of \$2,000 each, starting November 1, 2019 with a final installment of \$1,000 on November 1, 2026.