

FRIENDS OF PEB, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(See Independent Auditors' Report)

TABLE OF CONTENTS

Independent Auditors' Report	2-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-12



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Independent Auditors' Report

The Board of Directors
Friends of PEB, Inc.

We have audited the accompanying financial statements of Friends of PEB, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of PEB, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bee, Bergvall & Co.

Bee, Bergvall & Company, P.C.
Certified Public Accountants

Warrington, PA
June 30, 2017

Friends of PEB, Inc.

Statement of Financial Position

December 31, 2016

	<u>2016</u>
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents- unrestricted - undesignated	\$ 19,066
Cash and Cash Equivalents- unrestricted - board designated - reserve	72,588
Cash and Cash Equivalents - temporarily restricted	<u>408,585</u>
Total Cash and Cash Equivalents	500,239
Prepaid Expenses	<u>1,190</u>
 TOTAL ASSETS	 <u>\$ 501,429</u>
<u>LIABILITIES AND NET ASSETS</u>	
 Accounts payable	 \$ <u>1,454</u>
Total Liabilities	<u>1,454</u>
 Net Assets	
Unrestricted	
Undesignated	18,802
Board Designated - reserve	72,588
Temporarily Restricted	<u>408,585</u>
Total Net Assets	<u>499,975</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 501,429</u>

See independent auditors' report and
accompanying notes to the financial statements

Friends of PEB, Inc.

Statement of Activities

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Contributions	\$ 520,741	\$ 1,132,096	\$ 1,652,837
Interest Income	3	-	3
Net assets released from restrictions	<u>897,655</u>	<u>(897,655)</u>	<u>-</u>
Total Revenues and Support	<u>1,418,399</u>	<u>234,441</u>	<u>1,652,840</u>
Expenses			
Program Services	1,264,764	-	1,264,764
Support Services			
Management and general	43,692	-	43,692
Resource development	<u>67,959</u>	<u>-</u>	<u>67,959</u>
Total Expenses	<u>1,376,415</u>	<u>-</u>	<u>1,376,415</u>
Increase (decrease) in Net Assets	41,984	234,441	276,425
Net Assets at Beginning of Year, restated	<u>49,406</u>	<u>174,144</u>	<u>223,550</u>
Net Assets at End of Year	<u>\$ 91,390</u>	<u>\$ 408,585</u>	<u>\$ 499,975</u>

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2016

	2016			
	<u>Program</u> <u>Services</u>	<u>General</u> <u>& Admin</u>	<u>Resource</u> <u>Development</u>	<u>Total</u>
Expenses				
Advertising and promotion	\$ -	\$ -	\$ 5,535	\$ 5,535
Bank and credit card fees	-	726	-	726
Compensation and related expenses	16,590	24,308	49,474	90,372
Equipment	448	68	1,457	1,973
Grants	1,245,795	-	-	1,245,795
Insurance	-	1,000	-	1,000
License and filing fees	-	737	-	737
Office expense and supplies	-	1,211	-	1,211
Postage and shipping	-	-	1,960	1,960
Printing and copying	19	683	1,691	2,393
Professional fees	-	10,502	-	10,502
Telephone	303	605	303	1,211
Travel and meetings	<u>1,609</u>	<u>3,852</u>	<u>7,539</u>	<u>13,000</u>
Total Functional Expenses	<u>\$ 1,264,764</u>	<u>\$ 43,692</u>	<u>\$ 67,959</u>	<u>\$ 1,376,415</u>

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2016

	<u>2016</u>
Cash Flows From Operating Activities	
Increase (decrease) in net assets	\$ 276,425
(Increase) decrease in:	
Prepaid Expenses	5,449
(Increase) decrease in:	
Accounts Payable	<u>659</u>
Net Cash Provided by (used in) operating activities	<u>282,533</u>
Net Increase (decrease) in Cash and Cash Equivalents	282,533
Cash and Cash Equivalents at Beginning of Year	<u>217,706</u>
Cash and Cash Equivalents at End of Year	<u>\$ 500,239</u>

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Notes to Financial Statements

December 31, 2016

(See Independent Auditors' Report)

NOTE 1. Nature of the Organization

Friends of PEB, Inc. was originally organized and incorporated in 2008, in the state of Virginia as a non-profit corporation dedicated to helping support and promote the education purposes and fund development of the Presbyterian Education Board (PEB) of Pakistan and other institutions and organizations that support education and empowerment of girls and boys in Pakistan. Program expenses include funding for construction, maintenance, equipment, supplies, training and scholarships for students at the 22 schools owned and operated by PEB of Pakistan, as well as a boarding house for young men studying at higher education institutions. The organization is supported by approximately 225 individuals, organizations and churches nationwide. The Organization's headquarters is currently located in Coatesville, Pennsylvania.

Friends of PEB, Inc., is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law. The Organization is however required to file Federal and various State information returns. Contributions to the Organization are tax deductible within the limitations prescribed by the Code.

NOTE 2. Summary of Significant Accounting Policies

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation: Financial statement presentation follows accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The temporarily restricted net assets represent funds received for the specific programs that the Organization supports.

Friends of PEB, Inc.

Notes to Financial Statements

December 31, 2016

(See Independent Auditors' Report)

NOTE 2. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (continued)

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2016 there were no permanently restricted net assets.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounting for Uncertainty in Income Taxes: The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation as defined in Sections 170 and 509 of the Internal Revenue Code. As required by the FASB Accounting Standards Codification, entities are required to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. This standard had no impact on the Organization's financial statements. The Organization's federal tax return is subject to audit by taxing authorities. The Center's returns open audit period is for the years ending December 31, 2013-2015.

Cash Equivalents: The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, including money market accounts.

Promises to Give: There were no unconditional or conditional promises to give at December 31, 2016.

Prepaid Expenses: Insurance is expensed in the current contract period. Accordingly, insurance expenditures for future contract periods are included in prepaid expenses. Other expenses are expensed in the period to which they apply.

Friends of PEB, Inc.

Notes to Financial Statements

December 31, 2016

(See Independent Auditors' Report)

NOTE 2. Summary of Significant Accounting Policies (Continued)

Advertising Expenses: Advertising costs are expensed as incurred. The amount charged to advertising expense for the year ended December 31, 2016 was \$5,535.

Net Assets/Contributions: Unrestricted amounts are those currently available at the discretion of the Board for use in the Organization's ministries and those resources invested in property and equipment. All contributions are considered for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Separate receipts are issued for each contribution. All contributions are subject to a 15% administrative charge. The amounts collected from the 15% administrative charge are referred to as Supporting Services income and are used to pay for the non restricted operating expenses of the Organization. Pursuant to organizational policy, at the end of the calendar year the Organization evaluates the unused portion and the board decides whether to distribute those funds prorata back to the respective funds from which they were assessed, or to increase the Board designated reserve fund which represents funds set aside for general and emergency purposes.

Revenue and Support Recognition: In accordance with accounting principles generally accepted in the United States of America, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. Contributions are normally recorded and recognized as income when cash is received or when donated assets are transferred. However, if the amounts were to be received in advance of a program, they would be recorded as temporarily restricted revenues. At December 31, 2016 there were amounts received in advance for the years 2017 and 2018 in the amounts of \$47,189 and \$2,573, and accordingly those amounts are reflected in the Statement of Financial Position as part of the temporarily restricted net assets balance of \$408,585, as well as the temporarily restricted contribution balance of \$1,132,096 in the Statement of Activities.

Functional Allocation of Expenses: Expenses are recorded with incurred in accordance with the accrual basis of accounting. The costs of providing programs and supporting activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated between program and supporting services.

Subsequent Events: The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

Friends of PEB, Inc.

Notes to Financial Statements

December 31, 2016

(See Independent Auditors' Report)

NOTE 3. Concentration of Credit Risk

Deposits with banks: At December 31, 2016, and during the year, the Organization maintained an operating and savings accounts with an area FDIC insured financial institution. During the year, and at year end, the combined amounts did exceed the federally insured limit of \$250,000 and therefore has a concentration of credit risk for the amounts that exceeded that limit for those deposits, and in the event of nonperformance by the institution, there would be a credit risk of accounting loss. Management of Friends of PEB, Inc. does not anticipate nonperformance by the institution. The combined balance in that institution at year end was \$500,239. As part of the Organization's contributions campaigns, the Organization received.

Sources of funding: Contributions are received from many individuals, organizations and churches, the largest three contributors of which represent approximately 55% of the total revenues and support.

NOTE 4. Related Party Transactions

There were no related party transactions during the year ended December 31, 2016.

NOTE 5. Prior Period Adjustment

A prior period adjustment was made to adjust the beginning unrestricted and temporarily restricted balances in the amount of \$2,495.

Friends of PEB, Inc.

Notes to Financial Statements

December 31, 2016

(See Independent Auditors' Report)

NOTE 6. Schedule of Net Assets

The following schedule shows the activity in the net asset accounts for the year.

	Balance 12/31/15	Income	Expenses	Transfers	Supporting Services Distribution	Balance 12/31/16
Undesignated	\$ 38,774	\$ 280,280	\$ (290,069)	\$ (11,420)	\$ 1,237	\$ 18,802
Board designated - reserve	-	1	-	72,587	-	72,588
Supporting services	<u>10,632</u>	<u>240,463</u>	<u>(130,620)</u>	<u>(61,775)</u>	<u>(58,700)</u>	<u>-</u>
Total unrestricted	<u>49,406</u>	<u>520,744</u>	<u>(420,689)</u>	<u>(608)</u>	<u>(57,463)</u>	<u>91,390</u>
Volunteer support	(948)	340	-	608	14	14
Construction/maintenance	154,221	566,349	(441,982)	-	34,055	312,643
Furnishings/equipment	13,651	46,247	(58,176)	-	2,023	3,745
Language/training	-	1,040	(1,040)	-	43	43
Manzur Gill scholarship	-	1,020	(1,020)	-	42	42
Manzur Gill hostel fund	-	153,000	(153,000)	-	6,367	6,367
Schools, general	2,888	65,658	(54,195)	-	2,727	17,078
Scholarships, K-10 2015-16	2,450	5,355	(7,805)	-	223	223
Scholarships, K-10 2016-17	78	220,938	(217,007)	-	8,967	12,976
Scholarships, K-10 2017-18	-	45,304	-	-	1,885	47,189
Scholarships, Higher Ed 2016-17	-	11,041	(11,041)	-	459	459
Scholarships, Higher Ed 2017-18	-	6,070	(3,750)	-	253	2,573
Scholarships, Non-PEB	102	-	(102)	-	-	-
SHE project	1,268	2,861	(4,128)	-	119	120
Student clothing/gifts	434	2,149	(1,454)	-	90	1,219
Library	-	4,086	(1,026)	-	170	3,230
Medical assistance	-	638	-	-	26	664
Total temporarily restricted	<u>174,144</u>	<u>1,132,096</u>	<u>(955,726)</u>	<u>608</u>	<u>57,463</u>	<u>408,585</u>
Total	<u>\$ 223,550</u>	<u>\$ 1,652,840</u>	<u>\$ (1,376,415)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,975</u>