

FRIENDS OF PEB, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(See Independent Auditors' Report)

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Independent Auditors' Report

The Board of Directors
Friends of PEB, Inc.

Report on the Financial Statements

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, 2019 and 2018 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

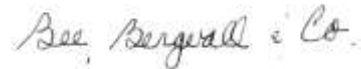
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2019, 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.

A handwritten signature in cursive script that reads "Bee, Bergvall & Co.".

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

Warrington, PA
September 1, 2020

Friends of PEB, Inc.

Statements of Financial Position

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents- without donor restrictions - undesignated	\$ 43,902	\$ 22,028
Cash and Cash Equivalents- without donor restrictions - board designated - reserve	63,404	120,000
Cash and Cash Equivalents - with donor restrictions	<u>353,602</u>	<u>416,095</u>
Total Cash and Cash Equivalents	460,908	558,123
Prepaid Expenses	<u>2,690</u>	<u>969</u>
TOTAL ASSETS	<u>\$ 463,598</u>	<u>\$ 559,092</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts Payable	<u>\$ 7,087</u>	<u>\$ 3,279</u>
Total Liabilities	<u>7,087</u>	<u>3,279</u>
Net Assets		
Without Donor Restrictions		
Undesignated	39,505	19,718
Board Designated - reserve	63,404	120,000
With Donor Restrictions	<u>353,602</u>	<u>416,095</u>
Total Net Assets	<u>456,511</u>	<u>555,813</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 463,598</u>	<u>\$ 559,092</u>

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

Friends of PEB, Inc.

Statements of Activities

For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support						
Contributions	\$ 115,277	\$ 555,903	\$ 671,180	\$ 274,349	\$ 853,029	\$ 1,127,378
Interest income	2,787	-	2,787	16	-	16
Net assets released from restrictions	618,396	(618,396)	-	519,482	(519,482)	-
Total Revenues and Support	<u>736,460</u>	<u>(62,493)</u>	<u>673,967</u>	<u>793,847</u>	<u>333,547</u>	<u>1,127,394</u>
Expenses						
Program services	616,225	-	616,225	623,909	-	\$ 623,909
Support services						
Management and general	80,675	-	80,675	52,012	-	52,012
Resource development	76,369	-	76,369	58,912	-	58,912
Total Expenses	<u>773,269</u>	<u>-</u>	<u>773,269</u>	<u>734,833</u>	<u>-</u>	<u>734,833</u>
Increase (Decrease) in Net Assets	(36,809)	(62,493)	(99,302)	59,014	333,547	392,561
Net Assets at Beginning of Year	<u>139,718</u>	<u>416,095</u>	<u>555,813</u>	<u>80,704</u>	<u>82,548</u>	<u>163,252</u>
Net Assets at End of Year	<u>\$ 102,909</u>	<u>\$ 353,602</u>	<u>\$ 456,511</u>	<u>\$ 139,718</u>	<u>\$ 416,095</u>	<u>\$ 555,813</u>

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Statements of Functional Expenses

For the Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	General & Admin	Resource Development	Total	Program Services	General & Admin	Resource Development	Total
Expenses								
Advertising and promotion	\$ -	\$ -	\$ 6,933	\$ 6,933	\$ -	\$ -	\$ 5,099	\$ 5,099
Bank and credit card fees	-	2,376	-	2,376	-	1,235	-	1,235
Compensation and related expenses	37,814	39,366	51,293	128,473	37,427	24,118	43,583	105,128
Development costs	7,688	13,795	13,185	34,668	-	-	-	-
Grants	565,419	-	-	565,419	576,807	-	-	576,807
Insurance	356	1,381	492	2,229	412	1,263	469	2,144
License and filing fees	-	7,975	-	7,975	-	7,808	-	7,808
Office expense and supplies	101	2,827	325	3,253	-	1,822	-	1,822
Postage and shipping	-	-	746	746	-	-	1,789	1,789
Professional fees	2,360	10,165	-	12,525	2,280	11,403	-	13,683
Telephone	406	811	406	1,623	404	807	404	1,615
Travel and meetings	2,081	1,979	2,989	7,049	6,579	3,556	7,568	17,703
Total Functional Expenses	<u>\$ 616,225</u>	<u>\$ 80,675</u>	<u>\$ 76,369</u>	<u>\$ 773,269</u>	<u>\$ 623,909</u>	<u>\$ 52,012</u>	<u>\$ 58,912</u>	<u>\$ 734,833</u>

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (99,302)	\$ 392,561
(Increase) decrease in:		
Prepaid expenses	(1,721)	6,499
Increase (decrease) in:		
Accounts payable	<u>3,808</u>	<u>198</u>
Net Cash Provided by (Used in) Operating Activities	<u>(97,215)</u>	<u>399,258</u>
Net Increase (decrease) in Cash and Cash Equivalents	(97,215)	399,258
Cash and Cash Equivalents at Beginning of Year	<u>558,123</u>	<u>158,865</u>
Cash and Cash Equivalents at End of Year	<u>\$ 460,908</u>	<u>\$ 558,123</u>

Supplemental Information:

There were no noncash investing or financing activities during the year ended December 31, 2019. During the year ended December 31, 2018, noncash investing and financing activities consisted of musical instruments in the amount of \$590 that were donated for use in their various schools.

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

(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 24 schools owned and operated by PEB of Pakistan. The organization is supported by approximately 340 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, in which the Organization is required to report information regarding their financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions are not subject to donor-imposed stipulations but do include those that are designated by actions of the Board. Net assets with donor restrictions are those that are subject to donor-imposed stipulations that may, or will be met, either by the actions of the Organization and/or the passage of time or those that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. When a restriction expires because of the actions of the Organization and/or the passage of time, the net asset is reclassified to those without donor restrictions.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

(See Independent Auditors' Report)

NOTE 2. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation: (continued)

Generally, donors with stipulations that the Organization maintains the assets permanently permit the Organization to use part or all of the income earned on any related investments for general or specific purposes. At December 31, 2019 and 2018, there were no such permanent donor restrictions.

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 Organization's returns open audit period is for the years ending December 31, 2016-2018.

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, 2019 or 2018.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

(See Independent Auditors' Report)

NOTE 2. Summary of Significant Accounting Policies (Continued)

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.

Advertising Expenses: Advertising costs are expensed as incurred. The amount charged to advertising expense for the year ended December 31, 2019 and 2018 was \$6,933 and \$5,099 respectively.

Net Assets/Contributions

Net assets without donor restrictions: Amounts without donor restrictions are those currently available at the discretion of the Board for use in the Organization's programs and those resources invested in property and equipment. All contributions are considered to be without donor restrictions unless specifically restricted by the donor or subject to other legal restrictions.

Net assets with donor restrictions: Net assets subject to expenditure for specific purposes are detailed at Note 5 of the financial statements and at December 31, 2019 and 2018 are \$353,602 and \$416,095 respectively. Currently there are no net assets subject to the passage of time.

Availability of Financial Assets: The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has policies to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. There are three specific policies that are employed. The first policy refers to the supporting service income. All contributions are subject to a 15% administrative charge with the exception of amounts restricted by donors for supporting service income or resource development. The amounts collected from the 15% administrative charge are referred to as supporting services income and are used to pay for the general non-restricted operating expenses of the Organization.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

(See Independent Auditors' Report)

NOTE 2. Summary of Significant Accounting Policies (Continued)

Availability of Financial Assets: (continued)

The second policy is a Board-designated operating reserve with the goal of having the balance consist of cash and cash equivalents, without donor restriction, and be equal to six months operating expenses. Pursuant to organizational policy, at the end of the calendar year, the Organization evaluates the unused portion of the supporting service income and the Board decides whether to increase the Board-designated operating reserve balance so that it is sufficiently funded. Once the Board can sufficiently fund the operating reserve to equal the six months of operating expenses goal, any remaining excess supporting service income will be available for various program expenses at the discretion of the Board. At December 31, 2019 and 2018, the Board-designated operating reserve fund balance was \$63,404 and \$120,000, respectively, which for 2019 was equivalent of six months of the upcoming budgeted annual operating expenses as determined by the Board. There are currently no excess supporting service income amounts available to be used for program expenses.

The third policy includes investing of cash in excess of daily requirements in short-term investments which began in 2019.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. However, amounts already appropriated from the board-designated operating reserve of \$63,404 and \$120,000 for the years ended December 31, 2019 and 2018, respectively, for general expenditures within one year of the balance sheet date, have not been subtracted as unavailable:

	<u>2019</u>	<u>2018</u>
Financial assets, at year end - Cash and cash equivalents	\$ 460,908	\$ 558,123
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor	<u>(353,602)</u>	<u>(416,095)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 107,306</u>	<u>\$ 142,028</u>

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

(See Independent Auditors' Report)

NOTE 2. Summary of Significant Accounting Policies (Continued)

Revenue and Support Recognition: In accordance with accounting principles generally accepted in the United States of America, contributions are recorded as without donor restrictions, with donor restrictions, or restricted in perpetuity 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 revenues with donor restrictions. At December 31, 2019 there were amounts received in advance for the years 2020 and 2021 in the amount of \$15,168. At December 31, 2018, there were amounts received in advance for the years 2019 and 2020 in the amount of \$17,995. Accordingly, those amounts are reflected in the Statements of Financial Position as part of the net assets with donor restrictions balance of \$353,602 and \$416,095, respectively.

As of January 1, 2019, the Organization adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2019-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization's financial statements reflect the application of this guidance for the year ending December 31, 2019. No cumulative effect adjustment to net assets was recorded because the adoption did not impact the Organization's previously reported contributions.

As of January 1, 2019, the Organization adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as), the entity satisfies a performance obligation. The Organization's financial statements reflect the application of this guidance for the year ending December 31, 2019.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

(See Independent Auditors' Report)

NOTE 2. Summary of Significant Accounting Policies (Continued)

Revenue and Support Recognition: (continued)

No cumulative effect adjustment to net assets was recorded because the adoption did not impact the Organization's previously reported revenue.

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 Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting activities on the basis of time and effort.

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. In May 2020, the Organization received a Paycheck Protection Program loan in the amount of \$25,000.

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

NOTE 3. Concentration of Credit Risk

Deposits with Banks: At December 31, 2019 and 2018, and during both years, the Organization maintained an operating and savings accounts with an area FDIC insured financial institution. During the year, the combined amounts exceeded the federally insured limit of \$250,000 and therefore the Organization had a concentration of credit risk for the amounts that exceeded that limit for those deposits. 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 the years ended December 31, 2019 and 2018 was \$460,908 and \$558,123, respectively.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

(See Independent Auditors' Report)

NOTE 3. Concentration of Credit Risk (Continued)

Sources of Funding: Contributions are received from many individuals, organizations and churches, the largest ten 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 years ended December 31, 2019 and 2018.

NOTE 5. Schedule of Net Assets

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

	Balance <u>12/31/18</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	Supporting Services <u>Distribution</u>	Balance <u>12/31/19</u>
Undesignated	\$ 19,718	\$ 21,769	\$ (1,982)	\$ -	\$ -	\$ 39,505
Board designated - reserve	120,000	2,787	-	(59,383)	-	63,404
Supporting services	-	93,508	(152,891)	59,383	-	-
Total Without Donor Restrictions	<u>139,718</u>	<u>118,064</u>	<u>(154,873)</u>	<u>-</u>	<u>-</u>	<u>102,909</u>
Construction/maintenance	358,797	133,442	(189,770)	-	-	302,469
Furnishings/New Construction	30,116	1,147	(31,263)	-	-	-
Furnishings/equipment	850	-	(850)	-	-	-
Schools, general	127	80,858	(80,356)	-	-	629
Scholarships, K-10 2018-19	6,506	-	(6,506)	-	-	-
Scholarships, K-10 2019-20	17,995	261,257	(246,050)	-	-	33,202
Scholarships, K-10 2020-21	-	15,168	-	-	-	15,168
Scholarships, Higher Ed 2018-19	1,704	-	(1,704)	-	-	-
Scholarships, Higher Ed 2019-20	-	7,901	(7,901)	-	-	-
Scholarships, Non-PEB	-	1,275	-	-	-	1,275
Student clothing/gifts	-	859	-	-	-	859
Library	-	170	(170)	-	-	-
Medical assistance	-	850	(850)	-	-	-
Development	-	52,976	(52,976)	-	-	-
Total with Donor Restrictions	<u>416,095</u>	<u>555,903</u>	<u>(618,396)</u>	<u>-</u>	<u>-</u>	<u>353,602</u>
Total	<u>\$ 555,813</u>	<u>\$ 673,967</u>	<u>\$ (773,269)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,511</u>