

FRIENDS OF PEB, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(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, 2017, 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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Friends of PEB, Inc. 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bee, Bergvall & Co.

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

Warrington, PA
April 18, 2018

Friends of PEB, Inc.

Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents- unrestricted - undesignated	\$ 3,711	\$ 19,066
Cash and Cash Equivalents- unrestricted - board designated - reserve	72,606	72,588
Cash and Cash Equivalents - temporarily restricted	<u>82,548</u>	<u>408,585</u>
Total Cash and Cash Equivalents	158,865	500,239
Prepaid Expenses	<u>7,468</u>	<u>1,190</u>
TOTAL ASSETS	<u>\$ 166,333</u>	<u>\$ 501,429</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	<u>\$ 3,081</u>	<u>\$ 1,454</u>
Total Liabilities	<u>3,081</u>	<u>1,454</u>
Net Assets		
Unrestricted		
Undesignated	8,098	18,802
Board Designated - reserve	72,606	72,588
Temporarily Restricted	<u>82,548</u>	<u>408,585</u>
Total Net Assets	<u>163,252</u>	<u>499,975</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 166,333</u>	<u>\$ 501,429</u>

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

Friends of PEB, Inc.

Statements of Activities

For the Year Ended December 31, 2017

With Summarized Comparative Totals for the Year Ended December 31, 2016

	2017			2016
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues and Support				
Contributions	\$ 178,189	\$ 528,610	\$ 706,799	\$ 1,652,837
Interest Income	18	-	18	3
Net assets released from restrictions	854,647	(854,647)	-	-
Total Revenues and Support	<u>1,032,854</u>	<u>(326,037)</u>	<u>706,817</u>	<u>1,652,840</u>
Expenses				
Program Services	935,228	-	935,228	1,264,764
Support Services				
Management and general	53,074	-	53,074	43,692
Resource development	55,238	-	55,238	67,959
Total Expenses	<u>1,043,540</u>	<u>-</u>	<u>1,043,540</u>	<u>1,376,415</u>
Increase (decrease) in Net Assets	(10,686)	(326,037)	(336,723)	276,425
Net Assets at Beginning of Year	<u>91,390</u>	<u>408,585</u>	<u>499,975</u>	<u>223,550</u>
Net Assets at End of Year	<u>\$ 80,704</u>	<u>\$ 82,548</u>	<u>\$ 163,252</u>	<u>\$ 499,975</u>

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Statements of Functional Expenses

For the Year Ended December 31, 2017

With Summarized Comparative Totals for the Year Ended December 31, 2016

	2017				2016
	<u>Program Services</u>	<u>General & Admin</u>	<u>Resource Development</u>	<u>Total</u>	<u>Total</u>
Expenses					
Advertising and promotion	\$ -	\$ -	\$ 4,538	\$ 4,538	\$ 5,535
Bank and credit card fees	-	813	-	813	726
Compensation and related expenses	34,176	24,303	42,249	100,728	90,372
Equipment	-	116	-	116	1,973
Grants	896,827	-	-	896,827	1,245,795
Insurance	192	1,700	237	2,129	1,000
License and filing fees	-	2,897	-	2,897	737
Office expense and supplies	-	1,815	99	1,914	1,211
Postage and shipping	-	-	1,449	1,449	1,960
Printing and copying	341	69	2,415	2,825	2,393
Professional fees	1,225	16,906	-	18,131	10,502
Telephone	443	885	443	1,771	1,211
Travel and meetings	2,024	3,570	3,808	9,402	13,000
Total Functional Expenses	<u>\$ 935,228</u>	<u>\$ 53,074</u>	<u>\$ 55,238</u>	<u>\$ 1,043,540</u>	<u>\$ 1,376,415</u>

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Statements of Cash Flows

For the Year Ended December 31, 2017

With Summarized Comparative Totals for the Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (336,723)	\$ 276,425
(Increase) decrease in:		
Prepaid expenses	(6,278)	5,449
Increase (decrease) in:		
Accounts payable	<u>1,627</u>	<u>659</u>
Net Cash Provided by (Used in) Operating Activities	<u>(341,374)</u>	<u>282,533</u>
Net Increase (decrease) in Cash and Cash Equivalents	(341,374)	282,533
Cash and Cash Equivalents at Beginning of Year	<u>500,239</u>	<u>217,706</u>
Cash and Cash Equivalents at End of Year	<u>\$ 158,865</u>	<u>\$ 500,239</u>

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2017 and 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

For the Years Ended December 31, 2017 and 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, 2017 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, 2014-2016.

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, 2017.

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

For the Years Ended December 31, 2017 and 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, 2017 was \$4,538.

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, 2017 there were amounts received in advance for the years 2018 and 2019 in the amounts of \$14,058 and \$25,926, and accordingly those amounts are reflected in the Statement of Financial Position as part of the temporarily restricted net assets balance of \$82,548, as well as the temporarily restricted contribution balance of \$528,610 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

For the Years Ended December 31, 2017 and 2016

(See Independent Auditors' Report)

NOTE 3. Concentration of Credit Risk

Deposits with Banks: At December 31, 2017, and during the year, 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 year end did not exceed the federally insured limit.

Sources of Funding: Contributions are received from many individuals, organizations and churches, the largest five contributors of which represent approximately 85% of the total revenues and support.

NOTE 4. Related Party Transactions

There were no related party transactions during the year ended December 31, 2017.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

(See Independent Auditors' Report)

NOTE 5. Schedule of Net Assets

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

	Balance				Supporting	
	<u>12/31/16</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Services</u>	<u>Balance</u>
					<u>Distribution</u>	<u>12/31/17</u>
Undesignated	\$ 18,802	\$ 72,812	\$ (42,220)	\$ (20,009)	\$ (21,287)	\$ 8,098
Board designated - reserve	72,588	18	-	-	-	72,606
Supporting services	<u>-</u>	<u>105,377</u>	<u>(146,713)</u>	<u>20,049</u>	<u>21,287</u>	<u>-</u>
Total unrestricted	<u>91,390</u>	<u>178,207</u>	<u>(188,933)</u>	<u>40</u>	<u>-</u>	<u>80,704</u>
Volunteer support	14	-	(14)	-	-	-
Construction/maintenance	312,643	166,055	(440,988)	-	-	37,710
Furnishings/New Construction	-	54,387	(54,251)	-	-	136
Furnishings/equipment	3,745	5,100	(8,845)	-	-	-
Language/training	43	425	(468)	-	-	-
Manzur Gill scholarship	42	-	(42)	-	-	-
Manzur Gill hostel fund	6,367	42,500	(48,867)	-	-	-
Schools, general	17,078	61,781	(74,397)	-	-	4,462
Scholarships, K-10 2015-16	223	-	(223)	-	-	-
Scholarships, K-10 2016-17	12,976	637	(13,613)	-	-	-
Scholarships, K-10 2017-18	47,189	157,873	(193,301)	-	-	11,761
Scholarships, K-10 2018-19	-	25,926	-	-	-	25,926
Scholarships, Higher Ed 2016-17	459	-	(459)	-	-	-
Scholarships, Higher Ed 2017-18	2,573	9,792	(10,028)	(40)	-	2,297
SHE project	120	1,320	(1,210)	-	-	230
Student clothing/gifts	1,219	519	(1,712)	-	-	26
Library	3,230	850	(4,080)	-	-	-
Medical assistance	<u>664</u>	<u>1,445</u>	<u>(2,109)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total temporarily restricted	<u>408,585</u>	<u>528,610</u>	<u>(854,607)</u>	<u>(40)</u>	<u>-</u>	<u>82,548</u>
Total	<u>\$ 499,975</u>	<u>\$ 706,817</u>	<u>\$ (1,043,540)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,252</u>

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

(See Independent Auditors' Report)

NOTE 6. New Accounting Pronouncements

ASU No. 2016-14 (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This Statement is effective for fiscal years beginning after December 15, 2017. The objective of this Statement is to improve the information presented in the financial statements and notes about a not-for-profit entity's net asset classifications, liquidity, financial performance, and cash flows. The main provision of the pronouncement reduces the three classes of net assets on the statement of financial position and statement of activities down to two classes of net assets. It also enhances footnote disclosure for any governing board designations, restrictions on net assets, functional expenses and qualitative and quantitative disclosures on liquidity. This Statement will be implemented in the fiscal year 2018.