

FRIENDS OF PEB, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(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, 2018 and 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, 2018, 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.

Emphasis of a Matter

As Discussed in Note 2 to the financial statements, the Organization adopted *ASU 2016-14 (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The implementation of this standard resulted in reclassification of net asset accounts as well as additional disclosures. The most significant changes are more fully discussed in Note 2.

Bee, Bergvall & Co.

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

Warrington, PA
September 10, 2019

Friends of PEB, Inc.

Statements of Financial Position

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents- without donor restrictions - undesignated	\$ 22,028	\$ 3,711
Cash and Cash Equivalents- without donor restrictions - board designated - reserve	120,000	72,606
Cash and Cash Equivalents - with donor restrictions	<u>416,095</u>	<u>82,548</u>
Total Cash and Cash Equivalents	558,123	158,865
Prepaid Expenses	<u>969</u>	<u>7,468</u>
TOTAL ASSETS	<u>\$ 559,092</u>	<u>\$ 166,333</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts Payable	<u>\$ 3,279</u>	<u>\$ 3,081</u>
Total Liabilities	<u>3,279</u>	<u>3,081</u>
Net Assets		
Without Donor Restrictions		
Undesignated	19,718	8,098
Board Designated - reserve	120,000	72,606
With Donor Restrictions	<u>416,095</u>	<u>82,548</u>
Total Net Assets	<u>555,813</u>	<u>163,252</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 559,092</u>	<u>\$ 166,333</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, 2018 and 2017

	<u>2018</u>			<u>2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support						
Contributions	\$ 274,349	\$ 853,029	\$ 1,127,378	\$ 178,189	\$ 528,610	\$ 706,799
Interest income	16	-	16	18	-	18
Net assets released from restrictions	<u>519,482</u>	<u>(519,482)</u>	<u>-</u>	<u>854,647</u>	<u>(854,647)</u>	<u>-</u>
Total Revenues and Support	<u>793,847</u>	<u>333,547</u>	<u>1,127,394</u>	<u>1,032,854</u>	<u>(326,037)</u>	<u>706,817</u>
Expenses						
Program Services	623,909	-	623,909	935,228	-	935,228
Support Services						
Management and general	52,012	-	52,012	53,074	-	53,074
Resource development	<u>58,912</u>	<u>-</u>	<u>58,912</u>	<u>55,238</u>	<u>-</u>	<u>55,238</u>
Total Expenses	<u>734,833</u>	<u>-</u>	<u>734,833</u>	<u>1,043,540</u>	<u>-</u>	<u>1,043,540</u>
Increase (decrease) in Net Assets	59,014	333,547	392,561	(10,686)	(326,037)	(336,723)
Net Assets at Beginning of Year	<u>80,704</u>	<u>82,548</u>	<u>163,252</u>	<u>91,390</u>	<u>408,585</u>	<u>499,975</u>
Net Assets at End 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>

See independent auditors' report and
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Friends of PEB, Inc.

Statements of Functional Expenses

For the Years Ended December 31, 2018 and 2017

	2018				2017			
	Program Services	General & Admin	Resource Development	Total	Program Services	General & Admin	Resource Development	Total
Expenses								
Advertising and promotion	\$ -	\$ -	\$ 5,099	\$ 5,099	\$ -	\$ -	\$ 4,538	\$ 4,538
Bank and credit card fees	-	1,235	-	1,235	-	813	-	813
Compensation and related expenses	37,427	24,118	43,583	105,128	34,176	24,303	42,249	100,728
Equipment	-	-	-	-	-	116	-	116
Grants	576,807	-	-	576,807	896,827	-	-	896,827
Insurance	412	1,263	469	2,144	192	1,700	237	2,129
License and filing fees	-	7,808	-	7,808	-	2,897	-	2,897
Office expense and supplies	-	1,822	-	1,822	-	1,815	99	1,914
Postage and shipping	-	-	1,789	1,789	-	-	1,449	1,449
Printing and copying	-	-	-	-	341	69	2,415	2,825
Professional fees	2,280	11,403	-	13,683	1,225	16,906	-	18,131
Telephone	404	807	404	1,615	443	885	443	1,771
Travel and meetings	6,579	3,556	7,568	17,703	2,024	3,570	3,808	9,402
Total Functional Expenses	<u>\$ 623,909</u>	<u>\$ 52,012</u>	<u>\$ 58,912</u>	<u>\$ 734,833</u>	<u>\$ 935,228</u>	<u>\$ 53,074</u>	<u>\$ 55,238</u>	<u>\$ 1,043,540</u>

See independent auditors' report and
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Friends of PEB, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 392,561	\$ (336,723)
(Increase) decrease in:		
Prepaid expenses	6,499	(6,278)
Increase (decrease) in:		
Accounts payable	<u>198</u>	<u>1,627</u>
Net Cash Provided by (Used in) Operating Activities	<u>399,258</u>	<u>(341,374)</u>
Net Increase (decrease) in Cash and Cash Equivalents	399,258	(341,374)
Cash and Cash Equivalents at Beginning of Year	<u>158,865</u>	<u>500,239</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 558,123</u></u>	<u><u>\$ 158,865</u></u>

Supplemental information:

Noncash investing and financing activities during the year ended December 31, 2018, 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, 2018 and 2017

(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 329 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, 2018 and 2017

(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, 2018 and 2017, 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, 2015-2017.

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, 2018.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

(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, 2018 and 2017 was \$5,099 and \$4,538 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, 2018 and 2017 are \$416,095 and \$82,548 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, 2018 and 2017

(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 consists 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 decided 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, 2018 and 2017, the Board-designated operating reserve fund balance was \$120,000 and \$72,606 respectively, which for 2018 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 beginning 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 \$120,000 and \$72,606 for the years ended December 31, 2018 and 2017 respectively, for general expenditures within one year of the balance sheet date, have not been subtracted as unavailable:

	<u>2018</u>	<u>2017</u>
Financial assets, at year end - Cash and cash equivalents	\$ 558,123	\$ 158,865
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor	<u>(416,095)</u>	<u>(82,548)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 142,028</u>	<u>\$ 76,317</u>

Friends of PEB, Inc

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

(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, 2018 there were amounts received in advance for the years 2019 and 2020 in the amount of \$17,995. At December 31, 2017, there were amounts received in advance for the years 2018 and 2019 in the amount of \$25,926. Accordingly, those amounts are reflected in the Statement of Financial Position as part of the net assets with donor restrictions balance of \$416,095 and \$82,548 respectively.

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 Expense. Accordingly, certain costs have been allocated among the program and supporting activities.

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.

NOTE 3. Concentration of Credit Risk

Deposits with Banks: At December 31, 2018 and 2017, 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, 2018 and 2017 was \$558,123 and \$158,965 respectively.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

(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 seven contributors of which represent approximately 66% of the total revenues and support

NOTE 4. Related Party Transactions

There were no related party transactions during the years ended December 31, 2018 and 2017.

NOTE 5. Schedule of Net Assets

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

	Balance				Supporting	Balance
	<u>12/31/17</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Services</u> <u>Distribution</u>	<u>12/31/18</u>
Undesignated	\$ 8,098	\$ 88,831	\$ (57,354)	\$ (19,857)	\$ -	\$ 19,718
Board designated - reserve	72,606	16	-	47,378	-	120,000
Supporting services	-	<u>185,518</u>	<u>(157,997)</u>	<u>(27,521)</u>	-	-
Total Without Donor Restrictions	<u>80,704</u>	<u>274,365</u>	<u>(215,351)</u>	-	-	<u>139,718</u>
Construction/maintenance	37,710	497,947	(176,860)	-	-	358,797
Furnishings/New Construction	136	32,871	(2,891)	-	-	30,116
Furnishings/equipment	-	850	-	-	-	850
Schools, general	4,462	47,326	(51,661)	-	-	127
Scholarships, K-10 2017-18	11,761	7,186	(18,947)	-	-	-
Scholarships, K-10 2018-19	25,926	239,074	(258,494)	-	-	6,506
Scholarships, K-10 2019-20	-	17,995	-	-	-	17,995
Scholarships, Higher Ed 2017-18	2,297	-	(2,297)	-	-	-
Scholarships, Higher Ed 2018-19	-	8,292	(6,588)	-	-	1,704
SHE project	230	-	(230)	-	-	-
Student clothing/gifts	26	-	(26)	-	-	-
Library	-	850	(850)	-	-	-
Medical assistance	-	638	(638)	-	-	-
Total with Donor Restrictions	<u>82,548</u>	<u>853,029</u>	<u>(519,482)</u>	-	-	<u>416,095</u>
Total	<u>\$ 163,252</u>	<u>\$ 1,127,394</u>	<u>\$ (734,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,813</u>

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

(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 has been implemented in the calendar year 2018 and the Organization has opted to present comparative information for the year 2017.