

FRIENDS OF PEB, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

(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, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years 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

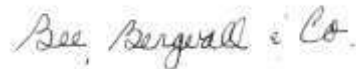
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years 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
October 27, 2021

Friends of PEB, Inc.

Statements of Financial Position

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents - without donor restrictions - undesignated	\$ 14,907	\$ 43,902
Cash and Cash Equivalents - without donor restrictions - board designated - reserve	56,987	63,404
Cash and Cash Equivalents - with donor restrictions	<u>482,413</u>	<u>353,602</u>
Total Cash and Cash Equivalents	554,307	460,908
Prepaid Expenses	<u>977</u>	<u>2,690</u>
 TOTAL ASSETS	 <u>\$ 555,284</u>	 <u>\$ 463,598</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts Payable	\$ 12,980	\$ 7,087
Total Liabilities	<u>12,980</u>	<u>7,087</u>
Net Assets		
Without Donor Restrictions		
Undesignated	2,904	39,505
Board Designated - reserve	56,987	63,404
With Donor Restrictions	<u>482,413</u>	<u>353,602</u>
Total Net Assets	<u>542,304</u>	<u>456,511</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 555,284</u>	 <u>\$ 463,598</u>

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Statements of Activities

For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support						
Contributions	\$ 243,507	\$ 489,354	\$ 732,861	\$ 115,277	\$ 555,903	\$ 671,180
PPP loan forgiveness income	25,114	-	25,114	-	-	-
Interest income	3,583	-	3,583	2,787	-	2,787
Net assets released from restrictions	<u>360,543</u>	<u>(360,543)</u>	<u>-</u>	<u>618,396</u>	<u>(618,396)</u>	<u>-</u>
Total Revenues and Support	<u>632,747</u>	<u>128,811</u>	<u>761,558</u>	<u>736,460</u>	<u>(62,493)</u>	<u>673,967</u>
Expenses						
Program services	515,857	-	515,857	616,225	-	616,225
Support services						
Management and general	87,583	-	87,583	80,675	-	80,675
Resource development	<u>72,325</u>	<u>-</u>	<u>72,325</u>	<u>76,369</u>	<u>-</u>	<u>76,369</u>
Total Expenses	<u>675,765</u>	<u>-</u>	<u>675,765</u>	<u>773,269</u>	<u>-</u>	<u>773,269</u>
Increase (Decrease) in Net Assets	(43,018)	128,811	85,793	(36,809)	(62,493)	(99,302)
Net Assets at Beginning 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>
Net Assets at End of Year	<u>\$ 59,891</u>	<u>\$ 482,413</u>	<u>\$ 542,304</u>	<u>\$ 102,909</u>	<u>\$ 353,602</u>	<u>\$ 456,511</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, 2020 and 2019

	2020				2019			
	Program Services	General & Admin	Resource Development	Total	Program Services	General & Admin	Resource Development	Total
Expenses								
Advertising and promotion	\$ 299	\$ -	\$ 3,984	\$ 4,283	\$ -	\$ -	\$ 6,933	\$ 6,933
Bank and credit card fees	-	4,192	-	4,192	-	2,376	-	2,376
Compensation and related expenses	38,404	53,894	61,004	153,302	37,814	39,366	51,293	128,473
Development costs	185	-	-	185	7,688	13,795	13,185	34,668
Grants	471,472	-	-	471,472	565,419	-	-	565,419
Insurance	300	1,409	493	2,202	356	1,381	492	2,229
License and filing fees	-	7,174	-	7,174	-	7,975	-	7,975
Office expense and supplies	-	2,991	-	2,991	101	2,827	325	3,253
Postage and shipping	-	-	1,168	1,168	-	-	746	746
Professional fees	4,815	16,563	1,274	22,652	2,360	10,165	-	12,525
Telephone	382	771	382	1,535	406	811	406	1,623
Travel and meetings	-	589	4,020	4,609	2,081	1,979	2,989	7,049
Total Functional Expenses	<u>\$ 515,857</u>	<u>\$ 87,583</u>	<u>\$ 72,325</u>	<u>\$ 675,765</u>	<u>\$ 616,225</u>	<u>\$ 80,675</u>	<u>\$ 76,369</u>	<u>\$ 773,269</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 85,793	\$ (99,302)
(Increase) decrease in:		
Prepaid expenses	1,713	(1,721)
Increase (decrease) in:		
Accounts payable	<u>5,893</u>	<u>3,808</u>
Net Cash Provided by (Used in) Operating Activities	<u>93,399</u>	<u>(97,215)</u>
Net Increase (decrease) in Cash and Cash Equivalents	93,399	(97,215)
Cash and Cash Equivalents at Beginning of Year	<u>460,908</u>	<u>558,123</u>
Cash and Cash Equivalents at End of Year	<u>\$ 554,307</u>	<u>\$ 460,908</u>

Supplemental Information:

There were no noncash investing or financing activities during the years ended December 31, 2020 or 2019.

See independent auditors' report and
accompanying notes to financial statements

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

(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, 2020 and 2019

(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, 2020 and 2019, 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, 2017-2019.

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, 2020 or 2019.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

(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 years ended December 31, 2020 and 2019 was \$4,283 and \$6,933 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, 2020 and 2019 are \$482,413 and \$353,602 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, 2020 and 2019

(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, 2020 and 2019, the Board-designated operating reserve fund balance was \$56,987 and \$63,404, respectively, which for 2020 was less than the 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 \$56,987 and \$63,404 for the years ended December 31, 2020 and 2019, respectively, for general expenditures within one year of the balance sheet date, have not been subtracted as unavailable:

	<u>2020</u>	<u>2019</u>
Financial assets, at year end - cash and cash equivalents	\$ 554,307	\$ 460,908
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor	<u>(482,413)</u>	<u>(353,602)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 71,894</u>	<u>\$ 107,306</u>

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

(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, 2020 there were amounts received in advance for the years 2021 and 2022 in the amount of \$6,051. At December 31, 2019, there were amounts received in advance for the years 2020 and 2021 in the amount of \$15,168. Accordingly, those amounts are reflected in the Statements of Financial Position as part of the net assets with donor restrictions balance of \$482,413 and \$353,602, 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 years ending December 31, 2020 and 2019. No cumulative effect adjustment to net assets was recorded because the adoption did not impact the Organization's previously reported contributions.

Functional Allocation of Expenses: Expenses are recorded when 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.

PPP Loan Forgiveness Income: As a response to the COVID-19 outbreak, the U.S. government has responded with relief legislation. Certain legislation, under the CARES Act, authorized emergency loans to businesses, including not-for-profit organizations, by establishing, and providing funding for, forgivable bridge loans under the Paycheck Protection Program (PPP).

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

(See Independent Auditors' Report)

NOTE 2. Summary of Significant Accounting Policies (Continued)

PPP Loan Forgiveness Income: (continued)

On May 11, 2020, the Organization received PPP proceeds of \$25,114 from Wells Fargo Bank through the Small Business Administration (SBA). Under the PPP rules, the SBA will forgive the proceeds received if eligibility and certain other criteria are met related to the use of the funds. The Organization borrowed the funds for the purpose of paying payroll costs. The portion of the proceeds received that is not forgiven, if any, would be converted into an unsecured term note payable, and would be paid back in eighteen equal and consecutive monthly principal and interest payments at an interest rate of 1% per year. On May 20, 2021, the Organization received a letter based on their PPP loan forgiveness application, stating the loan had been satisfied and forgiven.

There is no explicit guidance within U.S. Generally Accepted Accounting Principles (GAAP) on the accounting for government grants to business or not-for-profit entities. FASB ASC 105 describes the decision-making framework for determining guidance to apply when guidance for a transaction or event is not specified within U.S. GAAP. That guidance suggests using analogous types of existing guidance. Accordingly, management has elected to analogize to the International Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure, as well as FASB ASC 958-605 Not-For-Profit Entities-Revenue Recognition. Using both sets of guidance together, the Organization has determined that the grant model is appropriate. Under the grant model, the initial loan proceeds were recorded as a liability in the form of a forgivable loan, and once the eligibility and criteria for forgiveness were met, the liability was converted into government grant income entitled "PPP loan forgiveness income" as reflected in the Statement of 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. On February 19, 2021, the Organization was approved for another PPP loan in the amount of \$24,980. The Organization believes that it will meet the criteria for this loan to be forgiven as well.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

(See Independent Auditors' Report)

NOTE 3. Concentration of Credit Risk

Deposits with Banks: At December 31, 2020 and 2019, 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, 2020 and 2019 was \$554,307 and \$460,908, respectively.

Sources of Funding: Contributions are received from many individuals, organizations and churches, the largest ten contributors of which represent approximately 56% of the total revenues and support.

NOTE 4. Related Party Transactions

There were no related party transactions during the years ended December 31, 2020 and 2019.

NOTE 5. Risks and Uncertainties

The spread of COVID-19 around the world in 2020 has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies, and as such, the Organization is unable to determine if it will, at some point, have a material impact on its operations.

Friends of PEB, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

(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 <u>12/31/2019</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	Balance <u>12/31/2020</u>
Undesignated	\$ 39,505	\$ 158,872	\$ (119,649)	\$ (75,824)	\$ 2,904
Board designated - reserve	63,404	3,583	-	(10,000)	56,987
Supporting services	-	109,749	(195,388)	85,639	-
Total Without Donor Restrictions	<u>102,909</u>	<u>272,204</u>	<u>(315,037)</u>	<u>(185)</u>	<u>59,891</u>
Construction/maintenance	302,469	201,561	(95,484)	-	408,546
Furnishings/equipment	-	2,975	(2,975)	-	-
Schools, general	629	44,690	(45,319)	-	-
Scholarships, K-10 2019-20	33,202	875	(34,077)	-	-
Scholarships, K-10 2020-21	15,168	228,838	(176,415)	-	67,591
Scholarships, K-10 2021-22	-	8,533	(2,482)	-	6,051
Scholarships, Higher Ed 2020-21	1,275	-	(1,275)	-	-
SHE/SHA	-	425	(425)	-	-
Student clothing/gifts	859	225	(859)	-	225
Library	-	42	(42)	-	-
Medical assistance	-	1,190	(1,190)	-	-
Development	-	-	(185)	185	-
Total with Donor Restrictions	<u>353,602</u>	<u>489,354</u>	<u>(360,728)</u>	<u>185</u>	<u>482,413</u>
Total	<u>\$ 456,511</u>	<u>\$ 761,558</u>	<u>\$ (675,765)</u>	<u>\$ -</u>	<u>\$ 542,304</u>