



FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS
FOR DECEMBER 31, 2017)

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO THE BOARD OF DIRECTORS
GOOD NEIGHBORS, INC.
KENNETT SQUARE, PA

We have reviewed the accompanying financial statements of Good Neighbors, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously reviewed the Good Neighbors, Inc. 2017 financial statements, and we concluded there were no material modifications that should be made on those reviewed financial

statements in our report dated June 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our conclusion is not modified with respect to these matters.

Umbreit, Wilczek & Associates, P.C.

Kennett Square, PA
June 18, 2019

GOOD NEIGHBORS, INC.

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

ASSETS

| | 2018 | 2017 |
|--|-------------|-------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 229,414 | \$ 345,462 |
| Grants receivable and unconditional promises to give | 18,500 | 45,000 |
| TOTAL CURRENT ASSETS | 247,914 | 390,462 |
| Unconditional promises to give, net | - | 10,000 |
| Property and equipment, net | 67,758 | 46,913 |
| TOTAL ASSETS | \$ 315,672 | \$ 447,375 |

LIABILITIES AND NET ASSETS

| | | |
|--|------------|------------|
| CURRENT LIABILITIES | | |
| Accounts payable and credit card liabilities | \$ 4,277 | \$ - |
| TOTAL CURRENT LIABILITIES | 4,277 | - |
| NET ASSETS | | |
| Without donor restrictions | 255,379 | 271,189 |
| With donor restrictions | 56,016 | 176,186 |
| TOTAL NET ASSETS | 311,395 | 447,375 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 315,672 | \$ 447,375 |

GOOD NEIGHBORS, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

| | Without Donor Restrictions | With Donor Restrictions | 2018 | 2017 |
|---|-------------------------------|----------------------------|-------------------|-------------------|
| SUPPORT, REVENUE AND RECLASSIFICATIONS | | | | |
| Contributions | \$ 194,807 | \$ - | \$ 194,807 | \$ 231,717 |
| Grants | 132,550 | 73,697 | 206,247 | 252,400 |
| Government support | - | 30,000 | 30,000 | 50,000 |
| United Way | - | 13,801 | 13,801 | 20,756 |
| In-kind contributions | 41,563 | - | 41,563 | 30,301 |
| Youth program | 13,240 | - | 13,240 | 12,225 |
| Special events (net of direct costs \$22,629) | 29,946 | - | 29,946 | 3,419 |
| Interest income | 415 | - | 415 | 657 |
| Net assets released from restrictions | 237,668 | (237,668) | - | - |
| TOTAL SUPPORT, REVENUE AND RECLASSIFICATIONS | 650,189 | (120,170) | 530,019 | 601,475 |
| OPERATING EXPENSES | | | | |
| Program | 552,765 | - | 552,765 | 389,378 |
| Administration | 58,614 | - | 58,614 | 54,899 |
| Fundraising | 54,620 | - | 54,620 | 39,388 |
| TOTAL OPERATING EXPENSES | 665,999 | - | 665,999 | 483,665 |
| CHANGE IN NET ASSETS | (15,810) | (120,170) | (135,980) | 117,810 |
| NET ASSETS - BEGINNING OF YEAR | 271,189 | 176,186 | 447,375 | 329,565 |
| NET ASSETS -END OF YEAR | \$ 255,379 | \$ 56,016 | \$ 311,395 | \$ 447,375 |

See Independent Accountant's Review Report and Notes to Financial Statements

GOOD NEIGHBORS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

| | <u>Program</u> | <u>Administration</u> | <u>Fundraising</u> | <u>2018</u> | <u>2017</u> |
|------------------------------------|-------------------|-----------------------|--------------------|-------------------|-------------------|
| Accounting | \$ - | \$ 4,110 | \$ 475 | \$ 4,585 | \$ 7,524 |
| Aid to homeowner | 300 | - | - | 300 | 168 |
| Application and miscellaneous fees | 12,733 | - | - | 12,733 | 7,594 |
| Building materials and supplies | 122,072 | - | - | 122,072 | 95,427 |
| Contract services | 254,889 | - | - | 254,889 | 149,826 |
| Depreciation | 14,904 | - | - | 14,904 | 14,366 |
| Insurance | 5,918 | 2,536 | - | 8,454 | 7,673 |
| Miscellaneous | 180 | 902 | 722 | 1,804 | 2,133 |
| Occupancy | 900 | 2,340 | 360 | 3,600 | 3,600 |
| Office expense | 2,016 | 3,765 | 2,919 | 8,700 | 5,394 |
| Payroll taxes and expenses | 10,199 | 2,069 | 2,512 | 14,780 | 12,567 |
| Promotion | 2,086 | 2,434 | 2,434 | 6,954 | 10,304 |
| Repairs and maintenance | 4,043 | - | - | 4,043 | 3,716 |
| Salaries | 100,436 | 39,071 | 38,705 | 178,212 | 146,554 |
| Special events | - | - | 6,493 | 6,493 | 934 |
| Telephone | 463 | 1,387 | - | 1,850 | 1,974 |
| Vehicle expense | 10,955 | - | - | 10,955 | 4,561 |
| Youth camp | 10,671 | - | - | 10,671 | 9,350 |
| TOTAL EXPENSES | <u>\$ 552,765</u> | <u>\$ 58,614</u> | <u>\$ 54,620</u> | <u>\$ 665,999</u> | <u>\$ 483,665</u> |

GOOD NEIGHBORS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

| | 2018 | 2017 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (135,980) | \$ 117,810 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 14,904 | 14,366 |
| (Increase)decrease in grants and pledges receivable | 36,500 | (18,750) |
| Increase(decrease) in accounts payable and credit card liabilities | 4,278 | (200) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (80,298) | 113,226 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of vehicles and equipment | (35,750) | (45,744) |
| NET CASH (USED) BY INVESTING ACTIVITIES | (35,750) | (45,744) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (116,048) | 67,482 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 345,462 | 277,980 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 229,414 | \$ 345,462 |

See Independent Accountant's Review Report and Notes to Financial Statements

GOOD NEIGHBORS, INC.**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)****NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES****Nature of Organization:**

Good Neighbors, Inc. is a not-for-profit organization that works with qualified low-income homeowners in Southern Chester County to make their homes warmer, safer, drier, and healthier.

The significant accounting policies are as follows:Basis of Accounting

The financial statements of Good Neighbors, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-10-65-1, the Organization is required to report information regarding its financial position and activities according to two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions

The part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Net Assets without Donor Restrictions

The part of net assets of the Organization that is not subject to donor-imposed restrictions.

GOOD NEIGHBORS, INC.**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)****NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Summarized Comparative Information

The financial statements include certain summarized comparative information from the prior year in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period in which notification of such promise is received. Unconditional promises to give due in one year or less are recorded at their net realizable value. Unconditional promises to give due in more than one year are recorded at fair value in the year promised using present value techniques. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property and equipment are carried at cost. Acquisitions in excess of \$2,000 are capitalized. Depreciation on assets purchased is computed using the straight-line and accelerated methods over the useful lives of the assets ranging from 5-7 years.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grant revenues are recognized when received or when spent, whichever occurs first. Contributions are recorded at fair value, which is net of estimated uncollectible amounts. Performance fees and benefits are recognized in the period received. Revenue from special events and other functions is recognized as earned having applicable costs concurrently recognized. Interest and investment income is recognized as earned.

GOOD NEIGHBORS, INC.**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)****NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Use of Estimates

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

Allocation of Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services. Program costs include those related to home repairs. Fundraising expenses are costs related to campaigns, grant writing, and other fundraising efforts. Administrative expenses are costs directly related to the overall operation of the Organization, which are not associated with program or fundraising services. Certain administrative expenses, such as salaries and employee benefits, are allocated to program and fundraising based on the usage of employees' time.

Donated Assets

Donated equipment and other goods are recorded at their estimated fair value as of the date of the donation.

Income Taxes

Good Neighbors, Inc. is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c)(3).

Recent Accounting Pronouncements*Not-for-Profit Financial Statement Presentation*

During the year ended December 31, 2018, the Organization adopted ASU No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater

GOOD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**

endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both their natural and functional classification.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

| | <u>ASU 2016-14 Classifications</u> | | |
|-----------------------------|---------------------------------------|------------------------------------|-----------------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Net Assets</u> |
| As previously presented: | | | |
| Unrestricted | \$ 271,189 | \$ - | \$ 271,189 |
| Temporarily restricted | <u> -</u> | <u> 176,186</u> | <u> 176,186</u> |
| Net assets, as reclassified | <u>\$ 271,189</u> | <u>\$ 176,186</u> | <u>\$ 447,375</u> |

Date of Management Approval

As required by the Subsequent Events Topic of the FASB ASC, the Organization has evaluated those events and transactions that occurred after the statement of financial position date of December 31, 2018 through June 18, 2019, the date the financial statements were available to be issued.

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

| | |
|---|-------------------------|
| Financial assets: | |
| Cash | \$ 186,510 |
| Promise to give payments available for operations | <u> 18,500</u> |
| Total financial assets available within one year | <u>\$ 205,010</u> |

The Organization's cash flows have seasonal variations during the year attributable to the timing of contributions received. To manage liquidity, the Organization maintains a credit card that may be used as needed during the year to manage cash flows.

GOOD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

NOTE 3 – DONATED ASSETS AND SERVICES

In-kind contributions of materials were received for the years ended December 31, 2018 and 2017 valued at \$41,563 and \$30,301, respectively.

The Organization received a significant amount of donated services from unpaid volunteers and from various contractors/businesses who assisted in the various projects undertaken during 2018 and 2017. Over 475 volunteers donated over 7,200 hours during 2018 valued at over \$179,000. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC No. 958-605-25-16 have not been satisfied.

NOTE 4 – GRANTS RECEIVABLE AND UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give for the years ended December 31, 2018 and 2017 are as follows:

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|------------------|------------------|
| Receivable in less than one year | \$ 18,500 | \$ 45,000 |
| Receivable in one to ten years | - | 10,000 |
| | <u>\$ 18,500</u> | <u>\$ 55,000</u> |

The Organization estimates that all of its accounts receivable are collectible; accordingly, there is no provision for an allowance for doubtful accounts. If amounts become uncollectible, they will be charged to operations when that determination is made. As of December 31, 2018 and 2017, the Organization has deemed all monies collectible.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|------------------|------------------|
| Vehicles | \$ 81,516 | \$ 81,516 |
| Equipment | 45,394 | 9,644 |
| | <u>126,910</u> | <u>91,160</u> |
| Less: accumulated depreciation | (59,152) | (44,247) |
| Net property and equipment | <u>\$ 67,758</u> | <u>\$ 46,913</u> |

Depreciation expense for the years ended December 31, 2018 and 2017 was \$14,904 and \$14,366, respectively.

GOOD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 consist of:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|------------------|-------------------|
| United Way supported programs | \$ - | \$ 5,000 |
| Time restrictions | 18,500 | 150,000 |
| Home repair – state specific | 33,000 | 18,000 |
| Capital expenditures | 410 | - |
| Other | 4,106 | 3,186 |
| | <u>\$ 56,016</u> | <u>\$ 176,186</u> |

Net assets with donor restrictions released during December 31, 2018 and 2017 are as follows:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|-------------------|-------------------|
| United Way supported programs | \$ 5,000 | \$ 2,250 |
| Time restrictions | 77,301 | 97,006 |
| Home repair – state specific | 118,000 | 743 |
| Capital expenditures | 35,867 | 49,541 |
| Other | 1,500 | 42,325 |
| | <u>\$ 237,668</u> | <u>\$ 191,865</u> |

NOTE 7 – FAIR VALUE MEASUREMENTS

Accounting standards establish a valuation hierarchy for disclosure of the inputs to the valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Promises to give fall under Level 3 in the fair value hierarchy. Although no discount was made to present value, the recorded amounts approximate fair value and are based on

GOOD NEIGHBORS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

NOTE 7 – FAIR VALUE MEASUREMENTS (Cont'd)

unobservable inputs, including estimated future payment dates and management's past experience collecting similar pledges. There were no changes to valuation techniques used during the year ended December 31, 2018.

Changes in fair value of the Organization's unconditional promises to give, net present value (Level 3 assets) are summarized as follows:

| | 2018 | 2017 |
|--|-----------|-----------|
| BALANCE AT BEGINNING OF YEAR | \$ 55,000 | \$ 36,250 |
| New unconditional promises to give | 2,000 | 55,000 |
| Unconditional promises to give collected | (38,500) | (36,250) |
| BALANCE AT END OF YEAR | \$ 18,500 | \$ 55,000 |

NOTE 8 – CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

The Organization maintains cash balances in one local bank at December 31, 2018 and 2017, which is insured by the Federal Deposit Insurance Corporation up to \$250,000. At times the balance can be in excess of the insured limit. Total uninsured cash balances at December 31, 2018 and 2017 were \$0 and \$90,958, respectively.

NOTE 9 – MAJOR CONTRIBUTORS

The Organization sometimes receives funding representing more than 10% of its total revenue for the year ended December 31. For the year ended December 31, 2018, there were no major contributors. For the year ended December 31, 2017 Longwood Foundation funding represented approximately 13.30% of total revenue.

NOTE 10 – LINE OF CREDIT

The Organization obtained a line of credit with WSFS Bank in August 2018 for \$10,000. The balance of the line of credit plus interest (currently 5.0%) is due on demand from lender, secured by all inventory, chattel paper, accounts and equipment. This line of credit will be utilized to fund various projects through their new partnership with Federal Home Loan Bank and WSFS. The Organization will act as a sponsor in this agreement, performing the needed home repairs for very low-income homeowners in New Castle, DE. No amounts were drawn on the line of credit during 2018.