

**GOOD WORKS, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEARS ENDED  
MARCH 31, 2018 and MARCH 31, 2017**

(See Independent Auditors' Report)



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## Independent Auditors' Report

To the Board of Directors  
Good Works, Inc.  
Coatesville, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Good Works, Inc. (a non-profit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Good Works, Inc. as of March 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

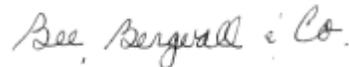
## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenses-Housing Trust Partnership as required by the County of Chester, Department of Community Development is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2018, on our consideration of Good Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Good Works' internal control over financial reporting and compliance.



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

Warrington, PA  
September 17, 2018

GOOD WORKS, INC.

Statements of Financial Position

March 31, 2018 and 2017

	March 31, <u>2018</u>	March 31, <u>2017</u>
Assets		
Cash and cash equivalents - unrestricted - undesignated	\$ 56,488	\$ 11,064
Cash and cash equivalents - unrestricted - Board designated - general reserve	110,818	100,237
Cash and cash equivalents - unrestricted - Board designated - other	<u>17,753</u>	<u>10,000</u>
Cash and cash equivalents - unrestricted	185,059	121,301
Cash and cash equivalents - temporarily restricted - other	30,410	8,566
Cash and cash equivalents - permanently restricted - endowment - Good Works	<u>4,673</u>	<u>51,578</u>
Total cash and cash equivalents	220,142	181,445
Short-term investments - certificates of deposit - Board designated - general reserve	30,435	30,275
Housing costs receivable	-	10,733
Rents receivable	3,000	-
Inventory	7,300	10,000
Prepaid expenses	20,771	30,859
Long-term investments - certificates of deposit - board designated - general reserve	25,000	-
Long-term investment - permanently restricted - endowment - County	41,360	40,395
Long-term investment - permanently restricted - endowment - Good Works	202,117	139,454
Property and equipment:		
Land	69,750	69,750
Office building and warehouse	410,064	410,064
Office and warehouse improvements	163,743	163,743
Computers, furniture and equipment	64,780	64,080
Trucks	94,943	107,526
Accumulated depreciation	<u>(347,651)</u>	<u>(328,369)</u>
TOTAL ASSETS	<u>\$ 1,005,754</u>	<u>\$ 929,955</u>
Liabilities		
Accounts payable	\$ 10,226	\$ 15,418
Security deposits - rentals	1,920	2,675
Notes payable - truck	-	3,733
Notes payable - building	<u>31,944</u>	<u>48,611</u>
Total Liabilities	<u>44,090</u>	<u>70,437</u>
Net Assets		
Unrestricted		
Undesignated	499,098	458,280
Board designated - general reserve	166,253	140,512
Board designated - other (Note 8)	17,753	10,000
Temporarily Restricted		
Other	30,410	8,566
Housing Trust	-	10,733
Permanently Restricted		
Endowment - County	41,360	40,395
Endowment - Good Works	<u>206,790</u>	<u>191,032</u>
Total Net Assets	<u>961,664</u>	<u>859,518</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,005,754</u>	<u>\$ 929,955</u>

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

GOOD WORKS, INC.

Statements of Activities

For the Years Ended March 31, 2018 and 2017

	<u>Year Ended March 31, 2018</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Revenues and Support				
Contributions				
Business/social organizations	\$ 227,416	\$ -	\$ -	\$ 227,416
Churches	121,226	9,000	-	130,226
Foundation and grants	193,828	15,935	-	209,763
Individuals	477,031	14,562	-	491,593
Housing trust/Human services/TANF	-	120,016	-	120,016
Program fees				
Work camp application fees	46,400	-	-	46,400
Celebration dinner	8,290	-	-	8,290
Special event revenue	210,690	-	-	210,690
Less: direct costs of special event	(18,076)	-	-	(18,076)
Interest income	340	-	6,185	6,525
Gross rental income	40,115	-	-	40,115
Gain on sale of truck	-	-	-	-
Insurance proceeds in excess of truck loss	7,753	-	-	7,753
Realized gain (loss) on investments	(38)	-	616	578
Unrealized gain on investments	-	-	12,622	12,622
Total Revenues and Support	<u>1,314,975</u>	<u>159,513</u>	<u>19,423</u>	<u>1,493,911</u>
Net assets released from restrictions	<u>151,102</u>	<u>(148,402)</u>	<u>(2,700)</u>	<u>-</u>
Total	<u>1,466,077</u>	<u>11,111</u>	<u>16,723</u>	<u>1,493,911</u>
Expenses				
Program services				
Home repair	1,046,388	-	-	1,046,388
Work camp	27,484	-	-	27,484
Celebration dinner	6,145	-	-	6,145
Total Program Services	<u>1,080,017</u>	<u>-</u>	<u>-</u>	<u>1,080,017</u>
Supporting services				
General and administrative	144,648	-	-	144,648
Resource development	167,100	-	-	167,100
Total Expenses	<u>1,391,765</u>	<u>-</u>	<u>-</u>	<u>1,391,765</u>
Increase (decrease) in net assets	74,312	11,111	16,723	102,146
Net assets at beginning of period	<u>608,792</u>	<u>19,299</u>	<u>231,427</u>	<u>859,518</u>
Net assets at end of period	<u>\$ 683,104</u>	<u>\$ 30,410</u>	<u>\$ 248,150</u>	<u>\$ 961,664</u>

	<u>Year Ended March 31, 2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Support</b>				
Contributions				
Business/social organizations	\$ 285,655	\$ -	\$ -	\$ 285,655
Churches	133,942	-	-	133,942
Foundation and grants	162,996	18,605	-	181,601
Individuals	405,920	500	-	406,420
Housing trust/Human services/TANF	-	135,878	-	135,878
Program fees				
Work camp application fees	45,590	-	-	45,590
Celebration dinner	6,825	-	-	6,825
Special event revenue	165,590	-	-	165,590
Less: direct costs of special event	(19,990)	-	-	(19,990)
Interest income	242	-	4,973	5,215
Gross rental income	38,855	-	-	38,855
Gain on sale of truck	110	-	-	110
Realized gain (loss) on investments	(45)	-	2,914	2,869
Unrealized gain on investments	-	-	7,439	7,439
Total revenues and support	<u>1,225,690</u>	<u>154,983</u>	<u>15,326</u>	<u>1,395,999</u>
Net assets released from restrictions	<u>180,218</u>	<u>(176,316)</u>	<u>(3,902)</u>	<u>-</u>
Total	<u>1,405,908</u>	<u>(21,333)</u>	<u>11,424</u>	<u>1,395,999</u>
<b>Expenses</b>				
Program services				
Home repair	1,099,133	-	-	1,099,133
Work camp	29,202	-	-	29,202
Celebration dinner	4,618	-	-	4,618
Total program services	<u>1,132,953</u>	<u>-</u>	<u>-</u>	<u>1,132,953</u>
Supporting services				
General and administrative	145,723	-	-	145,723
Resource development	159,327	-	-	159,327
Total expenses	<u>1,438,003</u>	<u>-</u>	<u>-</u>	<u>1,438,003</u>
Increase (decrease) in net assets	(32,095)	(21,333)	11,424	(42,004)
Net assets at beginning of period	<u>640,887</u>	<u>40,632</u>	<u>220,003</u>	<u>901,522</u>
Net assets at end of period	<u>\$ 608,792</u>	<u>\$ 19,299</u>	<u>\$ 231,427</u>	<u>\$ 859,518</u>

See independent auditors' report and  
accompanying notes to financial statements

GOOD WORKS, INC.

Statements of Functional Expenses

For the Years Ended March 31, 2018 and 2017

	<u>Year Ended March 31, 2018</u>			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Resource Development</u>	<u>Total</u>
Compensation and Related Expenses				
Salaries	\$ 265,423	\$ 82,703	\$ 105,974	\$ 454,100
Employee benefits	39,745	10,921	17,452	68,118
Payroll taxes	<u>21,267</u>	<u>6,488</u>	<u>8,291</u>	<u>36,046</u>
Total	326,435	100,112	131,717	558,264
Depreciation	19,531	3,849	1,689	25,069
Dues and fees	-	634	-	634
Functions-celebration dinner	6,145	-	-	6,145
Homeowners outreach	611	-	-	611
Insurance	27,132	8,278	10,577	45,987
Interest expense	83	4	-	87
Major project expense	170,507	-	-	170,507
Office expense and supplies	15,540	10,835	8,231	34,606
Permit	1,003	-	-	1,003
Postage and shipping	2,538	774	2,234	5,546
Professional services	204,316	12,691	692	217,699
Promotional fees	15,284	-	5,725	21,009
Real estate taxes	4,108	2,364	901	7,373
Rent and utilities	32,087	1,462	1,867	35,416
Repairs and maintenance	14,356	1,935	1,117	17,408
Seminars and training	240	-	35	275
Small tools and equipment	6,613	-	-	6,613
Supplies-building materials	172,087	-	-	172,087
Telephone and internet	1,993	997	1,993	4,983
Trash removal	15,391	-	-	15,391
Transportation and travel	9,580	713	322	10,615
Volunteer recognition	6,953	-	-	6,953
Work camp expense	<u>27,484</u>	<u>-</u>	<u>-</u>	<u>27,484</u>
Total Expenses	<u>\$ 1,080,017</u>	<u>\$ 144,648</u>	<u>\$ 167,100</u>	<u>\$ 1,391,765</u>

	<u>Year Ended March 31, 2017</u>			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Resource Development</u>	<u>Total</u>
Compensation and Related Expenses				
Salaries	\$ 292,719	\$ 83,198	\$ 100,586	\$ 476,503
Employee benefits	42,908	9,533	16,233	68,674
Payroll taxes	24,009	6,583	8,132	38,724
Total	<u>359,636</u>	<u>99,314</u>	<u>124,951</u>	<u>583,901</u>
Depreciation	26,262	4,019	1,843	32,124
Dues and fees	-	3,358	-	3,358
Functions-celebration dinner	4,618	-	-	4,618
Homeowners outreach	301	-	-	301
Insurance	30,685	8,414	10,393	49,492
Interest expense	215	11	-	226
Major project expense	140,474	-	-	140,474
Office expense and supplies	15,458	10,974	7,809	34,241
Permit	734	-	-	734
Postage and shipping	2,526	693	2,064	5,283
Professional services	183,589	12,475	803	196,867
Promotional fees	16,768	-	5,047	21,815
Real estate taxes	4,285	1,730	1,153	7,168
Rent and utilities	29,748	1,342	1,658	32,748
Repairs and maintenance	14,341	1,735	1,335	17,411
Seminars and training	93	65	-	158
Small tools and equipment	8,145	-	-	8,145
Supplies-building materials	236,712	-	-	236,712
Telephone and internet	2,088	1,045	2,088	5,221
Trash removal	15,153	-	-	15,153
Transportation and travel	8,136	548	183	8,867
Volunteer recognition	3,784	-	-	3,784
Work camp expense	29,202	-	-	29,202
Total Expenses	<u>\$ 1,132,953</u>	<u>\$ 145,723</u>	<u>\$ 159,327</u>	<u>\$ 1,438,003</u>

See independent auditors' report and  
accompanying notes to financial statements

GOOD WORKS, INC.

Statements of Cash Flows

For the Years Ended March 31, 2018 and 2017

	<u>Year Ended</u> <u>March 31, 2018</u>	<u>Year Ended</u> <u>March 31, 2017</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 102,146	\$ (42,004)
Adjustments to reconcile change in net assets to net cash provided (utilized) by operating activities:		
Depreciation	25,069	32,124
(Gain) on the sales of property and equipment	-	(110)
Changes in operating accounts		
(Increase) decrease in unconditional promises to give	-	1,484
(Increase) decrease in housing costs receivable	10,733	9,899
(Increase) decrease in rents receivable	(3,000)	350
(Increase) decrease in inventory	2,700	(1,450)
(Increase) decrease in prepaid expenses	10,088	7,812
Increase (decrease) in accounts payable	(5,192)	(991)
Increase (decrease) in deferred rental income	-	(3,000)
Increase (decrease) in security deposits - rentals	(755)	50
Contribution - loan forgiveness	(16,667)	(16,666)
Transfers to long-term investment - endowment	(44,839)	44,501
Interest income on long-term investment - endowment	(6,185)	(4,973)
Realized (gain) on long-term investment - endowment	(616)	(2,914)
Unrealized (gain) on long-term investment - endowment	(12,622)	(7,439)
Management fee on long-term investment - endowment	634	1,943
Net cash provided (utilized) by operating activities	<u>61,494</u>	<u>18,616</u>
Cash Flows from Investing Activities		
Short-term investments - net	(160)	30,342
Long-term investments	(25,000)	-
Proceeds from the disposition of property and equipment	6,096	-
Proceeds from the sale of property and equipment	-	400
Net cash provided (utilized) by investing activities	<u>(19,064)</u>	<u>30,742</u>
Cash Flows from Financing Activities		
Principal payments on note	(3,733)	(3,328)
Net cash provided (utilized) by investing activities	<u>(3,733)</u>	<u>(3,328)</u>
Net increase (decrease) in cash and cash equivalents	38,697	46,030
Cash and cash equivalents at beginning of period	<u>181,445</u>	<u>135,415</u>
Cash and cash equivalents at end of period	<u>\$ 220,142</u>	<u>\$ 181,445</u>

Supplemental Disclosures

Noncash investing and financing activities during the years ended March 31, 2018 and March 31, 2017, consisted of the forgiveness of a long-term note to the County of Chester, Pennsylvania in the amount of \$250,000 used towards financing the costs of acquiring the office building and warehouse. The county loan is reduced each year by \$16,666, under the forgiveness provisions of the note.

Noncash investing and financing activities during the years ended March 31, 2018 and March 31, 2017, also consisted of financing costs to acquire a truck with a five year note to Citadel Bank in the amount of \$16,075, of which \$3,733 was paid back during the year ended March 31, 2018 and \$3,328 was paid back during the year ended March 31, 2017.

Interest paid totaled \$87 and \$226 during the years ended March 31, 2018 and 2017, respectively.

See independent auditors' report and  
accompanying notes to financial statements

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 1. Nature of the Organization**

*Organization and Funding:* Good Works, Inc. was incorporated in Pennsylvania on June 8, 1988, as a nonprofit corporation. The purpose of the Organization is to rehabilitate homes for indigent persons and to combat community deterioration through renewal and revitalization of residential properties. Their mission is to extend God's love to families living in substandard housing; to make homes warmer, safer and drier; and to replace hopelessness with the hope of Jesus Christ. Their vision is to eliminate substandard housing in Chester County. Most of the labor is provided by volunteers under the supervision of a construction contractor or repair supervisor. The Organization is funded through contributions and grants from approximately 935 individuals, organizations, and churches, including the County of Chester and the State of Pennsylvania. The Organization's headquarters is located in Coatesville, PA and they are a member of the Pennsylvania Association of Nonprofit Organization (PANO).

*Exempt Status:* Good Works, Inc. was established to be, and has received confirmation that it is, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law. The Organization is required to file Federal and 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 accompanying financial statements 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Financial Statement Presentation: (continued)*

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.

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.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications: Certain amounts for the year ended March 31, 2017, have been reclassified to conform with the year ended March 31, 2018, presentations.

Cash and Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents including money market accounts.

Short-term Investments: The short-term investments consist of certificates of deposits maturing in one year or less.

Promises to Give: At March 31, 2018 and 2017, there were no unconditional promises to give.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Promises to Give: (continued)*

On February 28, 2005, the County of Chester, Pennsylvania provided a \$250,000 note to the Organization for the purpose of purchasing the office building which also contains some housing for low-income persons. The amount represents a conditional promise to give because of certain provisions within the note that provide for the note to be completely forgiven at the end of fifteen years if the Organization fulfills its obligations under the note to continue to provide that low-income housing under the Federal Home Investment Partnership Program regulations for the fifteen year period.

If the Organization fails to fulfill those low-income housing provisions, after a 30 day default notice period, the County, at its discretion, can exercise one or two options: either demand the Organization repay a prorated portion of the funds disbursed with interest at 1% per each year remaining in the period of affordability from the date of default or the County can demand immediate repayment of all funds disbursed from the date of disbursement with interest of 1% per year to the date of repayment. Providing good housing is a basic purpose of the Organization and as such, pursuant to the Contributions Received topic of the FASB Standards Codification, management believes the possibility that the low-income housing provisions of the note not being met are so remote as to be negligible. Accordingly, for accounting purposes, the note then represents a conditional promise that will be met in stages over the fifteen year period of the note. Each year a prorated portion of the note will be reduced by recording a corresponding contribution. During the years ended March 31, 2018 and 2017, the loan balance was reduced by recording a contribution of \$16,667 and \$16,667, respectively, which reduced the loan balance to \$31,944 and \$48,611, respectively.

There were no conditional promises to give at March 31, 2018 or 2017.

*Housing Costs Receivable:* The Organization has a grant agreement with the County of Chester, the Department of Community Development, which provides funding for homeowner repair activities. The original contract term was January 1, 2017 through December 31, 2017, and the contract amount was \$105,000. At March 31, 2018, there was no amount due to the Organization. The grant was subsequently applied for and renewed with a contract term of January 1, 2018 through December 31, 2018, and the contract amount was \$105,000. At March 31, 2017 there was an amount of \$10,733 due to the Organization from the 2017 grant and that amount is reflected in the statement of financial position as housing cost receivable. Any amounts to be expended are restricted in their use and specific application is made periodically during the year. There are no existing circumstances which require an allowance for uncollectibles to be recorded.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Rents Receivable:* The rents receivable at March 31, 2018 represents rent due from one business tenant. No amounts were due from tenants and accordingly no rents receivable at March 31, 2017.

*Inventory:* The inventory represents building materials and supplies and is stated at the lower of cost or market using the first-in, first-out (FIFO) method. At March 31, 2018 and 2017, the inventory included in-kind contributions of materials in the amount of \$800 and \$2,250, respectively.

*Prepaid Expenses:* Insurance and rental costs are expensed in the current contract period. Accordingly, insurance expenditures for future contract periods and rents paid in advance are included in prepaid expenses. Other expenses like real estate taxes and health insurance are expensed in the period that they apply to.

*Long Term Investments - Certificate of Deposit:* Long term investments - certificate of deposit consists of a twenty four month certificate of deposit with a purchase date of April 4, 2018 and a maturity date of April 4, 2020.

*Long Term Investments - Good Works:* Long term investments - Good Works consisted of the following:

	<u>2018</u>	<u>2017</u>
Mutual Funds	\$ <u>202,117</u>	\$ <u>139,454</u>
Total	\$ <u>202,117</u>	\$ <u>139,454</u>

As of March 31, 2018 and 2017, the long term investments are held in an endowment fund, which is restricted.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Long-term Investment - Permanent Endowment:* The Board has established two permanently restricted endowment funds for the purpose of providing future investment revenues available for organizational spending. The first fund has been invested with the Chester County Community Foundation. Distributions from the fund may be requested by the Organization prior to the June 30 fiscal year end for up to 5% of the fund balance. Distributions from the fund can be unrestricted or temporarily restricted depending on the nature of any donor restrictions on the contributions. At March 31, 2018 and 2017, there were no donor restrictions. There were distributions of \$2,066 and \$1,959 during the years ended March 31, 2018 and 2017, respectively, which were used for unrestricted, undesignated purposes. The Foundation charges a management fee of 1% of the average annual asset value. The fund is separated into two parts. The first part is amounts that Good Works, Inc. remits to the Community Foundation. The second part is amounts contributed by donors directly to the Foundation. Although from a legal perspective all endowed funds held by the Community Foundation are legally the property of the Community Foundation, the accounting recognition is different for each part as provided for by the Endowments for Not for Profit Organizations of the FASB Standards Codification. The funds contributed directly by the Organization are recorded on the books as a contribution and as a corresponding long-term, permanently restricted asset while the Community Foundation records the same amount as an agency fund liability. Funds contributed by donors directly to the Community Foundation are not recognized by Good Works, Inc., but are recognized by the Community Foundation as an asset. At March 31, 2018 and 2017, the amounts recognized by the Organization as a permanently restricted long-term asset were \$41,360 and \$40,395, respectively. At March 31, 2018 and 2017, the amounts recognized by the Community Foundation as an asset were \$31,590 and \$30,852, respectively. Long-term investments are carried at market value.

The second fund is currently invested with an investment company. The fund was established in July 2008 to be used specifically for operations. Percentage distributions from the fund will be established by the Board on an annual basis and will be calculated using a five year average market value as of December 31 of each year. If the fund has not been invested for five years, the calculation will be based on invested months. The average fair market value must exceed the minimum threshold as established by the Board in order for a distribution to be made.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Interpretation of Relevant Law:* The Board of Directors of the Organization have interpreted the law as requiring any donor-restricted contributions as being classified as unrestricted, temporarily restricted, or permanently restricted depending on the nature of the restriction. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Endowment Net Asset Composition consisted of the following as of March 31, 2018 and 2017:

<u>Endowment Fund Type</u>	March 31, <u>2018</u>	March 31, <u>2017</u>
Endowment-Community Foundation	\$ 41,360	\$ 40,395
Endowment-Good Works	<u>206,790</u>	<u>191,032</u>
Total	<u>\$ 248,150</u>	<u>\$ 231,427</u>

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Interpretation of Relevant Law: (continued)*

Changes in endowment net assets for the fiscal year ended March 31, 2018:

	Endowment County	Endowment Good Works	Total
Beginning balance	\$ 40,395	\$ 191,032	\$ 231,427
Interest and dividend income	2,476	3,709	6,185
Realized gains (losses)	616	-	616
Unrealized gains (losses)	573	12,049	12,622
Management fee	(634)	-	(634)
Distributions	(2,066)	-	(2,066)
Ending Balance	<u>\$ 41,360</u>	<u>\$ 206,790</u>	<u>\$ 248,150</u>

Changes in endowment net assets for the fiscal year ended March 31, 2017:

	Endowment County	Endowment Good Works	Total
Beginning balance	\$ 38,608	\$ 181,395	\$ 220,003
Interest income	1,458	3,515	4,973
Realized gains (losses)	6	2,908	2,914
Unrealized gains (losses)	2,887	4,552	7,439
Management fee	(605)	(1,338)	(1,943)
Distributions	(1,959)	-	(1,959)
Ending Balance	<u>\$ 40,395</u>	<u>\$ 191,032</u>	<u>\$ 231,427</u>

*Return Objectives and Risk Parameters:* The Organization's investment and spending practices for endowment assets attempt to provide maximum growth without high risk and is at the discretion of the Board of Directors. The Organization's practice is to preserve the integrity of the principal from designated donations.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization's goal is for the Board designated endowment funds to produce income, meet future contingencies and provide for organizational spending.

Property and Equipment: Expenditures or donated fixed assets in excess of \$1,000 are capitalized at cost and fair value respectively. Depreciation expense for the years ended March 31, 2018 and 2017, was \$25,069 and \$32,124, respectively, and was computed on the MACRS method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Office building, warehouse and improvements	39 years
Computer equipment and trucks	5 years
Furniture and equipment	7 years

Deferred Rental Income: There was no deferred rental income for the years ended March 31, 2018 and 2017.

Note Payable - Truck: The Organization had a note payable with the Citadel Bank. The year end balance of the note at March 31, 2018 is zero as the loan was paid off during the year ended March 31, 2018. The year end balance of the note at March 31, 2017 was \$3,733. The note was secured by the truck.

Notes Payable - Building: The Organization has a note payable with the County of Chester, Pennsylvania. The interest free note of \$250,000, beginning February 28, 2005, is to be forgiven prorated over fifteen years pursuant to conditions detailed at Note 2 promises to give. Due to the forgiveness provisions of the note, a discounted value was not recorded. The year-end balance of the note at March 31, 2018 and 2017 was \$31,944 and \$48,611, respectively. The note is effectively secured by the office building.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Notes Payable - Building: (continued)*

Future scheduled maturities are as follows:

<u>Years ending March 31, Chester County</u>	
2019	\$ 16,667
2020	<u>15,277</u>
	<u>\$ 31,944</u>

*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. The Board designated reserve represents funds set aside for general and emergency purposes.

The other Board designated amounts represent non budgeted amounts set aside from the unrestricted, undesignated funds for various purposes pursuant to written Board motions. The temporarily restricted net assets represent the contributions for the next fiscal year. The permanently restricted net assets represent the endowment funds invested with the Chester County Community Foundation and the in house Good Works Endowment.

*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 and fees are normally recorded and recognized as revenue when cash is received or when donated assets are transferred. However, if the amounts were to be received in advance of a program, then they would be recorded as temporarily restricted revenues. There were no contributions received in advance at March 31, 2018 or 2017.

*Expenses:* Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various programs and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Fair Value of Financial Instruments:* The Organization follows Fair Value Measurements as required by the FASB Standards Codification, which defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. It applies to other pronouncements that require or permit fair value but does not require any new fair value measurements. The codification defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

The Codification establishes a fair value hierarchy to increase consistency and comparability in fair value measurements and disclosures. The hierarchy is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets. The highest possible level should be used to measure fair value.

The Codification requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table represents the Organization’s fair value hierarchy for those investments, excluding money market funds, measured at fair value on a recurring basis as of March 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment				
Certificates of Deposit	\$ 55,435	\$ -	\$ -	\$ 55,435
Mutual Funds	202,117	-	-	202,117
CCCF Endowment	-	41,360	-	41,360
Total Investments	<u>\$ 257,552</u>	<u>\$ 41,360</u>	<u>\$ -</u>	<u>\$ 298,912</u>

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Fair Value of Financial Instruments: (continued)*

As of March 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment				
Certificates of Deposit	\$ 30,275	\$ -	\$ -	\$ 30,275
Mutual Funds	139,454	-	-	139,454
CCCF Endowment	-	40,395	-	40,395
Total Investments	<u>\$ 169,729</u>	<u>\$ 40,395</u>	<u>\$ -</u>	<u>\$ 210,124</u>

*Long Term Investments:* In accordance with accounting principles generally accepted in the United States of America, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their quoted fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Donated investments are reflected as contributions at their market values at the date of receipt. Interest and dividend earnings, realized gains and losses, and unrealized gains and losses are reported as investment income. The market values of investments are based on quoted market prices for those or similar investments. The carrying amounts reported in the statements of financial position are stated at market value.

*Accounting for Uncertainty in Income Taxes:* 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 periods are for the fiscal years ending March 31, 2015 - 2017.

*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.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 3. In-Kind Contributions**

Donated skilled services, materials and fixed assets are reflected as contributions in the accompanying financial statements at their estimated values at the date of service or receipt. The respective expenses or assets are recorded simultaneously. The in-kind contributions for the years ended March 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Professional services	\$ 168,184	\$ 161,581
Supplies - building materials	46,287	18,620
Donated shed space	<u>15,600</u>	<u>15,600</u>
Total	<u>\$ 230,071</u>	<u>\$ 195,801</u>

A significant portion of the Organization's functions are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition under the Revenue Recognition topic of the FASB Standards Codification. The Organization had approximately 38,990 volunteer hours during the year of which 5,425 hours were for Workcamp and approximately 1,902 hours were for administrative duties. The remaining 31,663 hours represents time spent during work days.

**NOTE 4. Lease Commitments**

Shed Storage Space: The Organization has a lease for shed storage space on a month-to-month basis. The lease calls for payments of \$460 per month or \$5,520 annually, which represents the approximate fair value of similar property in the area. Accordingly, there are no future minimum annual lease payments for that shed lease. Rent expense for the shed storage space for the years ended March 31, 2018 and 2017, was \$5,505 and \$5,460, respectively.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 5. Retirement Plan**

In 1996, the Organization established a custodial type retirement plan pursuant to Internal Revenue Code 403(b)(7) in order to provide retirement benefits for their employees. All employees are eligible to make salary reduction contributions starting at their hiring date. To be eligible for employer contributions each employee must be on the payroll as of January 1 and be scheduled to work 1,040 hours during the year and have been employed for at least six months. There are no years of service requirements or waiting period. There is no age requirement. During each plan year, which runs from January 1 through December 31, the Organization makes a contribution to the plan four times a year, equal to 3.5% of eligible participants' salaries. Participants can elect to defer a percentage of their salary according to Internal Revenue Code regulations. The Organization incurred pension expense of \$14,868 and \$13,965 for the years ended March 31, 2018 and 2017, respectively, the amount of which is included in employee benefits.

**NOTE 6. Concentration of Credit Risk**

*Deposits with Bank:* At March 31, 2018 and 2017, and during both years, the Organization maintained operating and savings accounts with area financial institutions. During the years, and at year end, the accounts did not exceed federally insured limits and therefore did not have a concentration of credit risk for those deposits.

*Sources of Funding:* Contributions and grants are received from many individuals, organizations and churches, the largest single contributor of which represents approximately 5% of the total revenues and support. That contributor is the County of Chester, Department of Community Development, as described in Note 2 of the financial statements.

**NOTE 7. Related Party Transactions**

There were no related party transactions during the years ended March 31, 2018 or 2017.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2018 and 2017

**NOTE 8. Schedule of Net Assets**

	Balance		Transfers		Balance
	<u>4/1/2017</u>	<u>Revenues</u>	<u>In (out)</u>	<u>(Expenses)</u>	<u>3/31/2018</u>
Undesignated	\$ 458,280	\$ 1,314,975	(\$25,428)	\$ (1,248,729)	\$ 499,098
Designated-general reserve	140,512	-	25,741	-	166,253
Designated-truck	-	-	7,753	-	7,753
Designated-capital/noncapital	10,000	-	-	-	10,000
Temp restrict-hsg costs-replication support	500	2,250	-	-	2,750
Temp restrict-hsg costs-United Way	8,066	15,935	(8,066)	(9,487)	6,448
Temp restrict-hsg costs-Hsg Trust	10,733	120,016	-	(130,749)	-
Temp restrict-outreach	-	9,000	-	(100)	8,900
Temp restrict-truck	-	4,203	-	-	4,203
Temp restrict-hydraulic lift	-	8,109	-	-	8,109
Permanently restricted-endowment-County	40,395	3,665	-	(2,700)	41,360
Permanently restricted-endowment-GW	<u>191,032</u>	<u>15,758</u>	<u>-</u>	<u>-</u>	<u>206,790</u>
Total Net Assets	<u>\$ 859,518</u>	<u>\$ 1,493,911</u>	<u>\$ -</u>	<u>\$ (1,391,765)</u>	<u>\$ 961,664</u>

**NOTE 9. 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 provision of the pronouncement reduces the three classes of net assets on the statement of financial position and the statement of activities down to two classes of net assets. It also enhances footnote disclosure for any governing board designations, restrictions on net assets, and qualitative and quantitative disclosures on liquidity. This Statement will be implemented in the fiscal year ended March 31, 2019.

**SUPPLEMENTAL INFORMATION**

GOOD WORKS, INC.

Schedule of Expenses-Housing Trust Partnership

For the Year Ended March 31, 2018

	Total April 1, 2017 to <u>March 31, 2018</u>
Construction/repair	\$ <u>74,041</u>
Total	\$ <u><u>74,041</u></u>



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INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
Good Works, Inc.  
Coatesville, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Good Works, Inc. (a nonprofit organization) which comprise the statement of financial position as of March 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Good Works, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Good Works, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Good Works, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

Warrington, PA  
September 17, 2018