

GOOD WORKS, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

**YEARS ENDED
MARCH 31, 2019 and MARCH 31, 2018**

(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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of a Matter

As discussed in Note 10 to the financial statements, the Organization adopted *ASU 2016-4 (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The implementation of this standard resulted in reclassification of net asset accounts as well as additional disclosures. The most significant changes are more fully discussed in Note 10.

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 September 30, 2019, 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 & Co.

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

Warrington, PA
September 30, 2019

GOOD WORKS, INC.

Statements of Financial Position

March 31, 2019 and 2018

	March 31, <u>2019</u>	March 31, <u>2018</u>
Assets		
Cash and cash equivalents-without donor restrictions-undesignated	\$ 28,022	\$ 56,488
Cash and cash equivalents-without donor restrictions-Board designated-general reserve	130,486	110,818
Cash and cash equivalents-without donor restrictions-Board designated-other	<u>10,000</u>	<u>17,753</u>
Cash and cash equivalents-without donor restrictions-total	168,508	185,059
Cash and cash equivalents-with donor restrictions-other	60,499	30,410
Cash and cash equivalents-with donor restrictions-endowment-Good Works	<u>4,767</u>	<u>4,673</u>
Total cash and cash equivalents	233,774	220,142
Short-term investments-certificates of deposit-Board designated-general reserve	20,489	30,435
Promises to give	44,556	-
Housing costs receivable	3,277	-
Rents receivable	2,500	3,000
Inventory	6,400	7,300
Prepaid expenses	16,168	20,771
Long-term investments-certificates of deposit-board designated-general reserve	35,851	25,000
Long-term investment-endowment-County	39,535	41,360
Long-term investment-endowment-Good Works	191,029	202,117
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	80,588	64,780
Trucks	142,622	94,943
Accumulated depreciation	<u>(379,041)</u>	<u>(347,651)</u>
TOTAL ASSETS	<u>\$ 1,081,305</u>	<u>\$ 1,005,754</u>
Liabilities		
Accounts payable	\$ 19,408	\$ 10,226
Security deposits - rentals	2,920	1,920
Notes payable - building	<u>15,278</u>	<u>31,944</u>
Total Liabilities	<u>37,606</u>	<u>44,090</u>
Net Assets		
Without donor restrictions		
Undesignated	506,487	499,098
Board designated - general reserve	186,826	166,253
Board designated - other	10,000	17,753
With donor restrictions		
Other	60,499	30,410
Housing costs	44,556	-
Endowment - County	39,535	41,360
Endowment - Good Works	<u>195,796</u>	<u>206,790</u>
Total Net Assets	<u>1,043,699</u>	<u>961,664</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,081,305</u>	<u>\$ 1,005,754</u>

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

GOOD WORKS, INC.

Statements of Activities

For the Years Ended March 31, 2019 and 2018

	<u>Year Ended March 31, 2019</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Revenues and Support			
Contributions			
Business/social organizations	\$ 258,769	\$ 10,000	\$ 268,769
Churches/schools	121,699	2,500	124,199
Foundation and grants	203,000	41,515	244,515
Individuals	438,548	56,501	495,049
Housing trust/Human services	-	201,170	201,170
Program fees			
Work camp application fees	44,125	-	44,125
Celebration dinner	8,200	-	8,200
Special event revenue	189,411	-	189,411
Less: direct costs of special event	(20,564)	-	(20,564)
Interest and dividend income	1,553	6,262	7,815
Gross rental income	40,765	-	40,765
Insurance proceeds in excess of truck loss	-	-	-
Realized gain (loss) on investments	-	743	743
Unrealized gain on investments	-	2,439	2,439
Total Revenues and Support	<u>1,285,506</u>	<u>321,130</u>	<u>1,606,636</u>
Net assets released from restrictions	<u>259,304</u>	<u>(259,304)</u>	<u>-</u>
Total	<u>1,544,810</u>	<u>61,826</u>	<u>1,606,636</u>
Expenses			
Program services			
Home repair	1,181,592	-	1,181,592
Work camp	20,823	-	20,823
Celebration dinner	5,307	-	5,307
Total Program Services	<u>1,207,722</u>	<u>-</u>	<u>1,207,722</u>
Supporting services			
General and administrative	163,584	-	163,584
Resource development	153,295	-	153,295
Total Expenses	<u>1,524,601</u>	<u>-</u>	<u>1,524,601</u>
Increase (decrease) in net assets	20,209	61,826	82,035
Net assets at beginning of period	<u>683,104</u>	<u>278,560</u>	<u>961,664</u>
Net assets at end of period	<u>\$ 703,313</u>	<u>\$ 340,386</u>	<u>\$ 1,043,699</u>

Year Ended March 31, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions			
Business/social organizations	\$ 227,416	\$ -	\$ 227,416
Churches/schools	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	-	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 and dividend income	340	6,185	6,525
Gross rental income	40,115	-	40,115
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>178,936</u>	<u>1,493,911</u>
Net assets released from restrictions	<u>151,102</u>	<u>(151,102)</u>	<u>-</u>
Total	<u>1,466,077</u>	<u>27,834</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>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>1,391,765</u>
Increase (decrease) in net assets	74,312	27,834	102,146
Net assets at beginning of period	<u>608,792</u>	<u>250,726</u>	<u>859,518</u>
Net assets at end of period	<u>\$ 683,104</u>	<u>\$ 278,560</u>	<u>\$ 961,664</u>

See independent auditors' report and
accompanying notes to financial statements

GOOD WORKS, INC.

Statements of Functional Expenses

For the Years Ended March 31, 2019 and 2018

	<u>Year Ended March 31, 2019</u>			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Resource Development</u>	<u>Total</u>
Compensation and Related Expenses				
Salaries	\$ 302,953	\$ 92,754	\$ 95,996	\$ 491,703
Employee benefits	47,543	12,707	18,429	78,679
Payroll taxes	<u>24,178</u>	<u>7,409</u>	<u>7,409</u>	<u>38,996</u>
Total	374,674	112,870	121,834	609,378
Depreciation	27,283	3,914	1,386	32,583
Dues and fees	3,700.00	4,306	2,775.00	10,781
Functions-celebration dinner	5,307	-	-	5,307
Homeowners outreach	4,372	-	-	4,372
Insurance	32,609	9,490	9,491	51,590
Interest expense	-	-	-	-
Major project expense	219,277	-	-	219,277
Office expense and supplies	12,524	9,117	3,688	25,329
Permit	920	-	-	920
Postage and shipping	2,639	809	2,169	5,617
Professional services	221,625	12,950	625	235,200
Promotional fees	14,238	-	6,474	20,712
Real estate taxes	4,394	2,499	774	7,667
Rent and utilities	31,065	1,165	1,164	33,394
Repairs and maintenance	11,788	2,366	927	15,081
Seminars and training	423	2,500	-	2,923
Small tools and equipment	1,904	-	-	1,904
Supplies-building materials	184,386	-	-	184,386
Telephone and internet	1,989	994	1,988	4,971
Trash removal	15,350	-	-	15,350
Transportation and travel	11,669	604	-	12,273
Volunteer recognition	4,763	-	-	4,763
Work camp expense	<u>20,823</u>	<u>-</u>	<u>-</u>	<u>20,823</u>
Total Expenses	<u>\$ 1,207,722</u>	<u>\$ 163,584</u>	<u>\$ 153,295</u>	<u>\$ 1,524,601</u>

	<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	21,267	6,488	8,291	36,046
Total	<u>326,435</u>	<u>100,112</u>	<u>131,717</u>	<u>558,264</u>
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	27,484	-	-	27,484
Total Expenses	<u>\$ 1,080,017</u>	<u>\$ 144,648</u>	<u>\$ 167,100</u>	<u>\$ 1,391,765</u>

See independent auditors' report and
accompanying notes to financial statements

GOOD WORKS, INC.

Statements of Cash Flows

For the Years Ended March 31, 2019 and 2018

	<u>Year Ended</u> <u>March 31, 2019</u>	<u>Year Ended</u> <u>March 31, 2018</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 82,035	\$ 102,146
Adjustments to reconcile change in net assets to net cash provided (utilized) by operating activities:		
Depreciation	32,583	25,069
Changes in operating accounts		
(Increase) decrease in unconditional promises to give	(44,556)	-
(Increase) decrease in housing costs receivable	(3,277)	10,733
(Increase) decrease in rents receivable	500	(3,000)
(Increase) decrease in inventory	900	2,700
(Increase) decrease in prepaid expenses	4,603	10,088
Increase (decrease) in accounts payable	9,182	(5,192)
Increase (decrease) in security deposits - rentals	1,000	(755)
Contribution - loan forgiveness	(16,667)	(16,667)
Contributed services - rent receivable	3,000	
Transfers to (from) long-term investment - endowment	94	(44,839)
Interest income on long-term investment - endowment	(6,262)	(6,185)
Realized (gain) on long-term investment - endowment	(743)	(616)
Unrealized (gain) on long-term investment - endowment	(2,439)	(12,622)
Management fee on long-term investment - endowment	606	634
Net cash provided (utilized) by operating activities	<u>60,559</u>	<u>61,494</u>
Cash Flows from Investing Activities		
Short-term investments - net	9,946	(160)
Long-term investments	(10,851)	(25,000)
Purchase of property and equipment	(64,680)	-
Contributions of property and equipment	18,658	-
Insurance proceeds from the disposition of property and equipment	-	6,096
Net cash provided (utilized) by investing activities	<u>(46,927)</u>	<u>(19,064)</u>
Cash Flows from Financing Activities		
Principal payments on note	-	(3,733)
Net cash provided (utilized) by investing activities	<u>-</u>	<u>(3,733)</u>
Net increase (decrease) in cash and cash equivalents	13,632	38,697
Cash and cash equivalents at beginning of period	<u>220,142</u>	<u>181,445</u>
Cash and cash equivalents at end of period	<u>\$ 233,774</u>	<u>\$ 220,142</u>

Supplemental Disclosures

Noncash investing and financing activities during the years ended March 31, 2019 and March 31, 2018, 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, 2019 and March 31, 2018, 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.

See independent auditors' report and
accompanying notes to financial statements

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

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 two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations, but do include those that are designated by actions of the Board.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 2. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation: (continued)

Net Assets With Donor Restrictions: Net assets that are subject to donor-imposed stipulations that may, or will be met, by actions of the Organization and/or the passage of time or those 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. 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, 2018, have been reclassified to conform with the year ended March 31, 2019, 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, 2019 and 2018, there were two unconditional promises to give. One was a matching gift and the second one was to cover employee benefits.

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.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 2. Summary of Significant Accounting Policies (Continued)

Promises to Give: (continued)

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, 2019 and 2018, the loan balance was reduced by recording a contribution of \$16,667 and \$16,667, respectively, which reduced the loan balance to \$15,278 and \$31,944, respectively.

There were no conditional promises to give at March 31, 2019 or 2018.

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, 2018 through December 31, 2018, 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, 2019 through December 31, 2019, and the contract amount was \$105,000. At March 31, 2019 there was no amount due to the Organization from the 2019 grant and if there had been, that amount would 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.

Rents Receivable: The rents receivable at March 31, 2019 and 2018 represents rent due from one business tenant.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 2. Summary of Significant Accounting Policies (Continued)

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, the inventory included in-kind contributions of materials in the amount of \$800.

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 one twenty four month and one fourteen month certificate of deposit with a purchase date of April 4, 2018 and a maturity date of April 4, 2020 and a purchase date off May 28, 2018 and a maturity date of July 29, 2019.

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

	<u>2019</u>	<u>2018</u>
Mutual Funds	\$ <u>191,029</u>	\$ <u>202,117</u>
Total	\$ <u><u>191,029</u></u>	\$ <u><u>202,117</u></u>

As of March 31, 2019 and 2018, the long term investments are held in an endowment fund, which is restricted.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 2. Summary of Significant Accounting Policies (Continued)

Long-term Investment - Endowment: The Board has established two endowment funds with permanent donor restrictions 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, 2019 and 2018, there were no donor restrictions. There were distributions of \$2,058 and \$2,066 during the years ended March 31, 2019 and 2018, 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 asset with permanent donor restrictions 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, 2019 and 2018, the amounts recognized by the Organization as a long-term asset with donor restrictions were \$39,535 and \$41,360, respectively. At March 31, 2019 and 2018, the amounts recognized by the Community Foundation as an asset were \$30,196 and \$31,590, 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, 2019 and 2018

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, 2019 and 2018:

<u>Endowment Fund Type</u>	March 31, <u>2019</u>	March 31, <u>2018</u>
Endowment-Community Foundation	\$ 39,535	\$ 41,360
Endowment-Good Works	<u>195,796</u>	<u>206,790</u>
Total	<u>\$ 235,331</u>	<u>\$ 248,150</u>

Changes in endowment net assets for the fiscal year ended March 31, 2019:

	Endowment <u>County</u>	Endowment <u>Good Works</u>	<u>Total</u>
Beginning balance	\$ 41,360	\$ 206,790	\$ 248,150
Interest and dividend income	1,540	4,722	6,262
Realized gains (losses)	743	-	743
Unrealized gains (losses)	(1,444)	3,883	2,439
Management fee	(606)	-	(606)
Distributions	<u>(2,058)</u>	<u>(19,599)</u>	<u>(21,657)</u>
Ending Balance	<u>\$ 39,535</u>	<u>\$ 195,796</u>	<u>\$ 235,331</u>

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

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:

	<u>Endowment</u> <u>County</u>	<u>Endowment</u> <u>Good Works</u>	<u>Total</u>
Beginning balance	\$ 40,395	\$ 191,032	\$ 231,427
Interest 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	<u>(2,066)</u>	<u>-</u>	<u>(2,066)</u>
Ending Balance	<u>\$ 41,360</u>	<u>\$ 206,790</u>	<u>\$ 248,150</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.

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.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 2. Summary of Significant Accounting Policies (Continued)

Property and Equipment: Expenditures on donated fixed assets in excess of \$1,000 are capitalized at cost and fair value respectively. Depreciation expense for the years ended March 31, 2019 and 2018, was \$32,583 and \$25,069, 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, 2019 and 2018.

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

Note 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, 2019 and 2018 was \$15,278 and \$31,944, respectively. The note is effectively secured by the office building.

Future scheduled maturities are as follows:

<u>Years ending March 31, Chester County</u>	
2020	<u>\$ 15,278</u>
	<u>\$ 15,278</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.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 2. Summary of Significant Accounting Policies (Continued)

Net Assets/Contributions: (continued)

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 restricted net assets represent contributions for the next fiscal year, rent assistance, outreach, endowment funds invested with the Chester County Community Foundation and the in house Good Works Endowment.

Availability of Financial Assets: The Organization is substantially supported by restricted contributions. Because a donor's restrictions 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 is a Board designated operating reserve with the goal of having the balance consist of cash and cash equivalents, without donor restrictions, plus short-term and long-term investments be equaling 12.5% of the approved budget. Currently the reserve is equal to 14.5% of the approved budget. The second policy includes the periodic investing of cash in excess of daily requirements in short-term and long-term investments. The third policy is the establishment next year of a quasi-endowment fund which will be available to draw upon in the event of liquidity needs.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 2. Summary of Significant Accounting Policies (Continued)

Availability of Financial Assets: (continued)

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 \$186,826 and \$166,253 for the years ended March 31, 2019 and 2018 respectively, for general expenditures within one year off the balance sheet date, have not been subtracted as unavailable:

	March 31, <u>2019</u>	March 31, <u>2018</u>
Financial assets, at year end - Cash and cash equivalents	\$ 233,774	\$ 220,142
Financial assets, at year end - Short-term investments	20,489	30,435
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor imposed restrictions:		
Restricted by donor with time or purpose restrictions	<u>(103,288)</u>	<u>(109,324)</u>
Financial assets available to meet cash needs for general expenditure within one year	150,975	141,253
Financial assets available to meet cash needs for general expenditure beyond one year	<u>35,851</u>	<u>25,000</u>
Reserve balance	<u>\$ 186,826</u>	<u>\$ 166,253</u>

Revenue and Support Recognition: In accordance with accounting principles generally accepted in the United States of America contributions are recorded as without donor restrictions, or with donor restrictions 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 revenues with donor restrictions. There were \$20,000 of contributions received in advance at March 31, 2019 and none at March 31, 2018.

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, 2019 and 2018

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment				
Certificates of Deposit	\$ 56,340	\$ -	\$ -	\$ 56,340
Mutual Funds	191,029	-	-	191,029
CCCF Endowment	-	39,535	-	39,535
Total Investments	<u>\$ 247,369</u>	<u>\$ 39,535</u>	<u>\$ -</u>	<u>\$ 286,904</u>

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 2. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments: (continued)

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>

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, 2016 - 2018.

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, 2019 and 2018

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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Professional services	\$ 188,115	\$ 168,184
Supplies - building materials	39,702	46,287
Donated shed space	15,600	15,600
Fixed assets	18,658	-
Total	<u>\$ 262,075</u>	<u>\$ 230,071</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 37,759 volunteer hours during the year of which 4,715 hours were for Workcamp and approximately 1,715 hours were for administrative duties. The remaining 31,329 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, 2019 and 2018, was \$5,520 and \$5,505, respectively.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

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 \$15,225 and \$14,868 for the years ended March 31, 2019 and 2018, respectively, the amount of which is included in employee benefits.

NOTE 6. Concentration of Credit Risk

Deposits with Bank: At March 31, 2019 and 2018, 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 8% 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, 2019 or 2018.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 8. Schedule of Net Assets

	Balance 4/1/2018	Revenues	Transfers In (out)	(Expenses)	Balance 3/31/2019
Undesignated	\$ 499,098	\$ 1,285,506	\$ 45,044	\$ (1,323,161)	\$ 506,487
Designated-general reserve	166,253	-	20,573	-	186,826
Designated-truck	7,753	-	(7,753)	-	-
Designated-capital/noncapital	10,000	-	-	-	10,000
Total Net Assets Without Donor Restrictions	<u>683,104</u>	<u>1,285,506</u>	<u>57,864</u>	<u>(1,323,161)</u>	<u>703,313</u>
Housing costs-replication support	2,750	27,439	-	-	30,189
Housing costs-United Way	6,448	13,015	-	(19,463)	-
Housing costs-Housing Trust	-	156,614	-	(156,614)	-
Housing costs-State	-	44,556	-	-	44,556
Outreach	8,900	2,500	-	(1,200)	10,200
Rent assistance	-	2,010	-	(1,900)	110
Subsequent year	-	20,000	-	-	20,000
Truck	4,203	16,015	(20,218)	-	-
Truck-donated	-	8,658	(8,658)	-	-
Hydraulic lift	8,109	20,879	(28,988)	-	-
Permanently restricted-endowment-County	41,360	839	-	(2,664)	39,535
Permanently restricted-endowment-GW	206,790	8,605	-	(19,599)	195,796
Total Net Assets With Donor Restrictions	<u>278,560</u>	<u>321,130</u>	<u>(57,864)</u>	<u>(201,440)</u>	<u>340,386</u>
Total Net Assets	<u>\$ 961,664</u>	<u>\$ 1,606,636</u>	<u>\$ -</u>	<u>\$ (1,524,601)</u>	<u>\$ 1,043,699</u>

NOTE 9. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort, as well as occupancy, and depreciation, some of which are allocated on a square footage basis, and some of which are allocated on the basis of estimates of time and effort of individuals using the depreciable assets.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 10. 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 has been implemented in the fiscal year ended March 31, 2019 and the Organization has opted to present comparative information for the fiscal year ended March 31, 2018.

ASU No. 2016-18 (Topic 606): Statement of Cash Flows (Topic 230): The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. The amendments are effective for fiscal years beginning after December 15, 2018.

ASU No. 2014-09 (Topic 606): Revenue From Contracts With Customers: This Statement is effective for fiscal years beginning after December 15, 2018. The objective of this Statement is to provide a more robust framework for addressing revenue issues, to improve comparability of revenue recognition standards across entities, and provide more useful information to the users of the financial statements through improved disclosure requirements. The Organization does not expect these amendments to have a material effect on the financial statements. This Statement will be implemented in the calendar year ended March 31, 2020.

ASU 2016-02, Leases (Topic 842): ASU 2016-02 substantially changes current GAAP regarding lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. ASU 2016-02 establishes a right-of-use ("ROU") model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with term of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current GAAP, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification.

GOOD WORKS, INC.

Notes to Financial Statements

March 31, 2019 and 2018

NOTE 10. New Accounting Pronouncements (Continued)

ASU 2016-02 also requires specific qualitative and quantitative disclosures about leasing arrangements to enable financial statement users to assess the amount, timing and uncertainty of cash flows arising from leases. The Standard was issued on February 25, 2016 and will be effective for fiscal years beginning after December 15, 2019. Early application of the Standard is permitted. The Company is currently in the process of determining the impact of the new standard, and has elected not to early implement the Standard.

SUPPLEMENTAL INFORMATION

GOOD WORKS, INC.

Schedule of Expenses-Housing Trust Partnership

For the Year Ended March 31, 2019

	Total April 1, 2018 to <u>March 31, 2019</u>
Construction/repair	\$ <u>126,212</u>
Total	\$ <u><u>126,212</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, 2019, 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 September 30, 2019.

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.

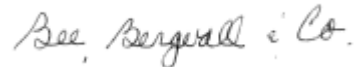
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 30, 2019