

POVERTY RESOLUTIONS, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017



JEBRAN & ABRAHAM, PC
Certified Public Accountants and Business Consultants

POVERTY RESOLUTIONS, INC.
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Certified Public Accountants and Business Consultants

350 E. Butler Avenue • Suite 202 • New Britain, Pennsylvania 18901
www.JebranCPAs.com

INDEPENDENT AUDITORS' REPORT

Telephone: (267) 477-1061
Fax: (267) 654-1328

The Board of Directors
Poverty Resolutions, Inc.
Furlong, Pennsylvania

We have audited the accompanying financial statements of Poverty Resolutions, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, changes in net assets 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 Poverty Resolutions, Inc., Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jebran & Abraham, P.C.
New Britain, Pennsylvania
March 21, 2019

POVERTY RESOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
At December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 347,919	\$ 193,277
Prepaid expenses	-	55
Investments	811,626	1,093,522
Total Current Assets	<u>1,159,545</u>	<u>1,286,854</u>
Property and Equipment		
Vehicles	78,236	-
Building	31,000	-
Land	45,214	45,214
	<u>154,450</u>	<u>45,214</u>
Less accumulated depreciation	<u>(15,647)</u>	<u>-</u>
Net Property and Equipment	138,803	45,214
Total Assets	<u><u>\$ 1,298,348</u></u>	<u><u>\$ 1,332,068</u></u>
LIABILITIES AND NET ASSETS		
Liabilities	\$ -	\$ -
Net Assets		
Unrestricted net assets	<u>1,298,348</u>	<u>1,332,068</u>
Total Liabilities and Net Assets	<u><u>\$ 1,298,348</u></u>	<u><u>\$ 1,332,068</u></u>

The accompanying notes are an integral part of these financial statements.

POVERTY RESOLUTIONS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue and Support		
Contributions	\$ 1,010,601	\$ 1,885,558
Dividend and interest	21,850	24,976
Child sponsorships	170,474	89,104
Unrealized and realized gains on investments	(99,975)	128,576
Other	<u>11,129</u>	<u>17,995</u>
Total Revenues	<u>1,114,079</u>	<u>2,146,210</u>
Expenses		
Supporting		
Advertising	3,809	6,638
Bank and merchant fees	7,787	5,718
Benefits	19,342	15,440
Contributions	6,000	-
Depreciation	15,647	-
Fees and other	27,832	24,036
Insurance	1,035	2,996
Legal and professional	16,019	12,715
Office	3,169	401
Payroll and taxes	346,266	299,469
Postage and mailing	1,274	2,353
Rent	18,024	14,301
Utilities and website	<u>5,423</u>	<u>2,785</u>
Total Supporting	<u>471,627</u>	<u>386,852</u>
Program		
Haiti	<u>676,172</u>	<u>1,718,535</u>
Total Expenses	<u>1,147,799</u>	<u>2,105,388</u>
Change in Net Assets	(33,720)	40,822
Net Assets, Beginning of Year	<u>1,332,068</u>	<u>1,291,246</u>
Net Assets, End of Year	<u>\$ 1,298,348</u>	<u>\$ 1,332,068</u>

The accompanying notes are an integral part of these financial statements.

POVERTY RESOLUTIONS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Schedule of Reconciling Increase (Decrease)		
in Net Assets to Net Cash Flows from		
Operating Activities		
Increase (decrease) in net assets	\$ (33,720)	\$ 40,822
Depreciation expense	15,647	-
Adjustments to reconcile net increase to		
net cash provided (used) by operating activities:		
Unrealized gains	141,503	(93,480)
Changes in operating assets and liabilities:		
Prepaid expenses	55	(55)
Net cash provided (used) by operating activities	<u>123,485</u>	<u>(52,713)</u>
Cash Flow from Investing Activities		
Purchase of vehicles and building	(109,236)	-
Purchase of investments	(735,303)	(882,380)
Proceeds from sale of investments	766,460	955,445
Net cash flows from investment activities	<u>31,157</u>	<u>73,065</u>
Net Increase in Cash	154,642	20,352
Cash, Beginning of the Year	<u>193,277</u>	<u>172,925</u>
Cash, End of the Year	<u><u>\$ 347,919</u></u>	<u><u>\$ 193,277</u></u>

The accompanying notes are an integral part of these financial statements.

POVERTY RESOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

1. Nature of Organization

Poverty Resolutions, Inc., Inc. (the "Organization") is non-profit corporation formed in the Commonwealth of Pennsylvania in 2010. Located in Furlong Pennsylvania, the Organization's mission is to eradicate poverty and infuse hope in Haiti while also raising awareness about worldwide poverty.

2. Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 21, 2019 the date that the financial statements were available to be issued.

3. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, revenues are recognized when earned and expenses are recorded when incurred.

The Organization follows the recommendations of the Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 958, Not-for-Profit Organizations, formerly Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

Cash equivalents include cash on hand and in banks. The Organization also considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Financial Statement Presentation

Poverty Resolutions, Inc. reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. There are no temporarily or permanently restricted net assets as of December 31, 2018 and 2017

Investments

Investments are stated at fair value with unrealized gains and losses on investments resulting from fair value fluctuations recorded in the statements of activities in the period that such fluctuations occur. Highly liquid interest-earning investments and time deposits with an original maturity of less than three months are classified as cash equivalents. Investment sales and purchases are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis

POVERTY RESOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

3. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the results of operations.

Expenditures for maintenance and repairs necessary to maintain property and equipment in efficient operating condition are charged to operations. Expenditures which increase the useful lives of the assets are capitalized.

Fair Value of Financial Instruments

In determining the fair value of investments, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing and asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date

Level 2 Inputs: Valuations based on observable inputs (other than Level 1 prices) such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly.

Level 3 Inputs: Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment.

Property and equipment - contributed

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Grants and Contributions

Contributions are generally available for unrestricted use in the related year received unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give, due in the next year, are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reflected as long-term promise to give and are recorded at their net realizable value.

POVERTY RESOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

3. Summary of Significant Accounting Policies (continued)

Grants and Contributions (continued)

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Noncash Contributions and Volunteer Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that require specialized skills and would typically need to be purchased if not provided by donations, are recorded at fair values in the period received.

During the years ended December 31, 2018 and 2017, many individuals volunteered their time and performed a variety of tasks that assisted the Organization. These services either do not meet the criteria for recognition as volunteer services or the value of volunteer services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

Income Taxes

The Organization is a nonprofit organization and is classified as exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization is exempt from Pennsylvania state income taxes.

4. Investments

At, December 31, 2018 and 2017, the Organization's investments consisted of the following and are all considered Level 1:

	2018 Carrying Value	2017 Carrying Value
Exchange Traded Funds	\$ 135,412	\$ 763,745
Equities	625,648	278,550
Mutual Funds	13,546	10,865
Options	37,020	40,362
Total	<u>\$ 811,626</u>	<u>\$ 1,093,522</u>

POVERTY RESOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

5. Property and Equipment

The estimated useful lives used in the computation of depreciation of property and equipment and the related expense are as follows:

		Depreciation Expense For the Years Ended December 31,	
	Lives	2018	2017
Vehicles	5 yrs.	\$ 15,647	\$ -
Building	10-35 yrs	-	-
Land	-	-	-
Total		<u>\$ 15,647</u>	<u>\$ -</u>

For the year ended December 31, 2018, there was no depreciation taken on the building as construction was still in process.

6. Operating Lease

The Organization leases its office facilities under a non-cancellable operating lease expiring in September, 2024. The terms of the lease call for monthly payments of \$350 beginning in September, 2018 with annual increases amounting to approximately 3%. The lease also calls for two consecutive three year options under the same terms and conditions at the conclusion of the original term.

The following is a schedule by year of minimum payments required under the lease:

For the years ending December 31:

2019	\$ 15,160
2020	15,640
2021	16,120
2022	16,600
2023	17,080
2024 and thereafter	<u>29,480</u>
	<u>\$ 110,080</u>

7. Contingency

The Organization maintains its cash in bank accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts as of December 31, 2018 and 2017 and believes that it is not exposed to any significant credit risk on cash.