

BAKER INDUSTRIES, INC.

DECEMBER 31, 2019 AND 2018

FINANCIAL STATEMENTS

BAKER INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Baker Industries, Inc.
184 Pennsylvania Ave.
Malvern, PA 19355

We have audited the accompanying financial statements of Baker Industries, Inc., which comprise the statement of financial position as of December 31, 2019 and 2018 and the related comparative statements of operations 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 Baker Industries, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Doyle & McDonnell, P.C.

Doyle & McDonnell, P.C.
Certified Public Accountants
Broomall, Pennsylvania

February 27, 2020

BAKER INDUSTRIES, INC.
COMPARATIVE STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS		
	2019	2018
CURRENT ASSETS		
Cash	\$ 1,295,292	\$ 1,442,994
Marketable Securities	839,317	718,889
Accounts Receivable, Net of Allowance	277,622	295,260
Prepaid Expenses	29,528	21,668
Total Current Assets	2,441,759	2,478,811
PROPERTY AND EQUIPMENT		
Land	152,900	152,900
Building and Improvements	1,718,476	1,702,051
Equipment	322,015	245,758
Vehicles	153,629	102,029
Total Property and Equipment	2,347,020	2,202,738
Accumulated Depreciation	(1,174,129)	(1,083,427)
Total Property and Equipment - Net	1,172,891	1,119,311
TOTAL ASSETS	\$ 3,614,650	\$ 3,598,122
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ -	\$ 79,222
Payroll and Sales Tax Payable	44,161	27,895
Loan Payable - Auto	5,483	5,201
Total Current Liabilities	49,644	112,318
LONG-TERM LIABILITIES		
Loan Payable - Auto (net of current portion)	1,225	6,931
Total Long-Term Liabilities	1,225	6,931
TOTAL LIABILITIES	50,869	119,249
FUND BALANCE		
Fund Balance without Donor Restrictions	3,413,781	3,478,873
Fund Balance with Donor Restrictions	150,000	-
Total Fund Balance	3,563,781	3,478,873
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,614,650	\$ 3,598,122

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.

STATEMENT OF ACTIVITIES AND FUND BALANCE

DECEMBER 31, 2019 (with totals for the year ended December 31, 2018)

	With out Donor Restrictions	With Donor Restrictions	2019	2018
SUPPORT AND REVENUE				
Support				
Donations - Individuals	\$ 119,138	\$ -	\$ 119,138	\$ 106,718
Donations - Foundations and Corporations	875,068	150,000	1,025,068	959,713
Fund-Raising	191,135	-	191,135	472,442
Total Support	<u>1,185,341</u>	<u>150,000</u>	<u>1,335,341</u>	<u>1,538,873</u>
Revenue				
Sales of Services	831,967	-	831,967	847,978
Rental	8,447	-	8,447	54,167
Interest and Dividends	38,552	-	38,552	18,106
Total Revenue	<u>878,966</u>	<u>-</u>	<u>878,966</u>	<u>920,251</u>
TOTAL SUPPORT AND REVENUE	<u>2,064,307</u>	<u>150,000</u>	<u>2,214,307</u>	<u>2,459,124</u>
ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>2,064,307</u>	<u>150,000</u>	<u>2,214,307</u>	<u>2,459,124</u>
EXPENSES				
Program Services	1,854,927	-	1,854,927	1,806,079
Supporting Services	179,290	-	179,290	189,213
Fund-Raising	198,581	-	198,581	192,687
Total Expenses	<u>2,232,798</u>	<u>-</u>	<u>2,232,798</u>	<u>2,187,979</u>
OTHER INCOME (EXPENSE)				
Recycling Income	1,954	-	1,954	1,619
Gain on Sale of Assets	-	-	-	210,538
Other Income	507	-	507	2,485
Unrealized Gain (Loss) on Securities	100,938	-	100,938	(30,639)
Total Other Income (Expense)	<u>103,399</u>	<u>-</u>	<u>103,399</u>	<u>184,003</u>
NET INCREASE IN FUND BALANCE	<u>(65,092)</u>	<u>150,000</u>	<u>84,908</u>	<u>455,148</u>
FUND BALANCE - BEGINNING OF YEAR	<u>3,478,873</u>	<u>-</u>	<u>3,478,873</u>	<u>3,023,725</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,413,781</u>	<u>\$ 150,000</u>	<u>\$ 3,563,781</u>	<u>\$ 3,478,873</u>

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
DECEMBER 31, 2019

	Program Services	Supporting Services	Fund Raising	Total 2019 Operating Expenses
Salaries - Management	\$ 166,405	\$ 141,541	\$ 113,308	\$ 421,254
Salaries - Program	998,534	-	-	998,534
Payroll Taxes	109,986	9,089	7,187	126,262
Alumni Bonus	700	-	-	700
Commissions	-	-	-	-
Participant/Administration Benefits	72,960	10,944	7,296	91,200
Participant Training	3,428	-	-	3,428
Participant Expense - Services	4,592	-	-	4,592
Job Services	674	-	-	674
Job Supplies and Shipping	109,301	-	-	109,301
OT Services	-	-	-	-
Insurance	72,036	8,450	-	80,486
Fund-Raising Expenses	-	-	70,790	70,790
Capital Campaigning Expense	-	-	-	-
Auto Expense	(8,271)	-	-	(8,271)
Interest Expense	246	-	-	246
Professional Fees	33,760	4,034	-	37,794
Office and Warehouse Supplies	12,141	1,768	-	13,909
Utilities	48,736	2,599	-	51,335
Telephone	5,270	630	-	5,900
Depreciation	90,702	-	-	90,702
Equipment Rental	21,901	-	-	21,901
Repairs and Maintenance	32,973	-	-	32,973
Trash Removal	25,378	-	-	25,378
Other Expenses	6,195	235	-	6,430
Advertising	1,174	-	-	1,174
Computer Expense	10,800	-	-	10,800
Internet Expense	10,169	-	-	10,169
Bank Charges	491	-	-	491
Sales Expense	9,338	-	-	9,338
Dues and Subscriptions	2,095	-	-	2,095
Contributions	100	-	-	100
Bad Debts	13,113	-	-	13,113
Total Operating Expense	\$ 1,854,927	\$ 179,290	\$ 198,581	\$ 2,232,798

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
DECEMBER 31, 2018

	Program Services	Supporting Services	Fund Raising	Total 2018 Operating Expenses
Salaries - Management	\$ 165,188	\$ 140,514	\$ 112,495	\$ 418,197
Salaries - Program	903,264	-	-	903,264
Payroll Taxes	90,970	8,785	7,033	106,788
Alumni Bonus	875	-	-	875
Commissions	-	-	-	-
Participant/Administration Benefits	45,540	9,108	6,072	60,720
Participant Training	751	-	-	751
Participant Expense - Services	126	-	-	126
Job Services	840	-	-	840
Job Supplies and Shipping	57,113	-	-	57,113
OT Services	-	-	-	-
Insurance	116,450	10,570	-	127,020
Fund-Raising Expenses	-	-	25,940	25,940
Capital Campaigning Expense	-	-	22,640	22,640
Auto Expense	-	-	-	-
Interest Expense	20,622	-	-	20,622
Professional Fees	31,892	2,030	-	33,922
Office and Warehouse Supplies	25,213	2,428	-	27,641
Utilities	69,654	3,666	-	73,320
Telephone	5,005	535	-	5,540
Depreciation	92,642	1,891	-	94,533
Equipment Rental	21,002	2,544	-	23,546
Repairs and Maintenance	60,688	2,529	-	63,217
Trash Removal	19,574	1,030	-	20,604
Other Expenses	5,712	1,233	9,607	16,552
Advertising	12,000	-	8,900	20,900
Computer Expense	4,976	1,244	-	6,220
Internet Expense	7,705	856	-	8,561
Bank Charges	2,248	250	-	2,498
Sales Expense	4,932	-	-	4,932
Dues and Subscriptions	3,910	-	-	3,910
Contributions	100	-	-	100
Bad Debts	37,087	-	-	37,087
Total Operating Expense	\$ 1,806,079	\$ 189,213	\$ 192,687	\$ 2,187,979

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.
COMPARATIVE STATEMENT OF CASH FLOWS
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Fund Balance	\$ 84,908	\$ 455,148
Adjustments to Reconcile Changes to Net Cash		
Flows Provided by Operating Activities:		
Depreciation	90,702	94,533
Allowance for Doubtful Accounts	10,919	18,543
Unrealized (Gain) Loss on Marketable Securities	(100,938)	30,639
(Increase) Decrease in:		
Accounts Receivable	6,719	(120,617)
Prepaid Expenses	(7,860)	15,538
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(79,222)	39,268
Accrued Interest	-	(1,940)
Payroll and Sales Tax Liabilities	16,266	(11,897)
Net Cash Flows Provided by Operating Activities	<u>21,494</u>	<u>519,215</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(144,281)	(56,195)
Disposition of Property and Equipment	-	994,147
(Increase) Decrease in Marketable Securities	(19,491)	(17,372)
Net Cash Flows Provide by (Used in) Investing Activities	<u>(163,772)</u>	<u>920,580</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Mortgages Payable	-	(530,000)
Repayments of Loan Payable - Auto	(5,424)	(5,042)
Net Cash Flows Used in Financing Activities	<u>(5,424)</u>	<u>(535,042)</u>
NET INCREASE (DECREASE) IN CASH	(147,702)	904,753
CASH - BEGINNING OF YEAR	<u>1,442,994</u>	<u>538,241</u>
CASH - END OF YEAR	<u>\$ 1,295,292</u>	<u>\$ 1,442,994</u>
SUPPLEMENTAL DISCLOSURES		
Cash Paid During the Year for Interest	<u>\$ 246</u>	<u>\$ 22,562</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Organization

Baker Industries, Inc. (the Organization) is a nonprofit entity incorporated on May 8, 1989 under the laws of the Commonwealth of Pennsylvania for the purpose of organizing and operating work rehabilitation programs for handicapped and homeless people (referenced herein as “Participants”). The Organization primarily services customers with operations in Southeastern Pennsylvania and is managed by a full time administrative staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principals. Revenues are recognized when earned, and expenses are recognized when the obligations are incurred

Change in Accounting Principles

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The Organization implemented the new standards in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statement:

- The temporarily restricted and permanently restricted net asset class has been named net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statement include a disclosure about liquidity and availability of resources.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified as follows:

Revenues and Expenses

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of time period are reported as reclassifications between the applicable classes of net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Donated Services

The Organization receives donated services from a variety of unpaid volunteers who assist the Organization in a number of capacities. The Organization received no services that were required to be reported under SFAS No. 116.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit and marketable securities with original maturities of less than 90 days. The carrying value of cash and cash equivalents approximate fair value because of the short maturities of those financial instruments.

Accounts Receivable

The Organization charges income with doubtful accounts when they are considered uncollectible. Accounts receivable are presented net of an allowance for doubtful accounts of \$33,357 and \$22,438 at December 31, 2019 and 2018, respectively.

Property and Equipment

Capital additions are stated at cost. 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 those 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. Maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation is provided over the estimated useful lives of assets by the straight-line method. The estimated useful lives of the various classes of assets are:

	<u>Range in Years</u>
Building	39
Building Improvements	5 - 39
Equipment	5 - 7
Vehicles	5

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and files Form 990. The federal Exempt Organization Business Income Tax Returns for 2018, 2017 and 2016 remain subject to examination by the Internal Revenue Service.

Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through February 26, 2020, the date the financial statements were issued.

3. MARKETABLE SECURITIES

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at the fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Marketable Securities consisted of the following at December 31:

	2019	2018
Vanguard Total Stock Market Index	\$ 410,996	\$ 314,205
Vanguard Short-Term Bond Fund	428,321	404,684
Total Marketable Securities	<u>\$ 839,317</u>	<u>\$ 718,889</u>

4. LOAN PAYABLE - AUTO

Loan Payable – Auto consist of an auto loan in the amount of \$30,000. The loan is payable monthly in the amount of \$472 at an interest rate of 4.14% over a period of 72 months. The outstanding balance as of December 31, 2019 and 2018 is \$6,708 and 12,132, respectively.

Maturities of this note payable over the next 5 years are as follows:

2020	\$ 5,483
2021	<u>1,225</u>
	<u>\$ 6,708</u>

5. 457(b) PLAN

The Organization has adopted a salary reduction contribution and employer contribution retirement plan. The plan adopted by the employer is Baker Industries 457 Plan. This plan provides management and select members of the senior staff who complete three months of consecutive service eligibility into the plan. The Organization has the discretion of matching a percentage of each participants salary reduction contribution. Contributions made into the plan for the years ended December 31, 2019 and 2018 were \$23,178 and \$21,150, respectively.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are categorized based upon the following characteristics or inputs to the valuation techniques:

Level 1 – Quoted prices are available in the active markets for identical assets or liabilities as of the reported date.

Level 2 – Pricing inputs are other than quoted prices in active markets for identical assets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

The Organization measures its investments at fair value on a recurring basis. These items were measured with the following inputs at August 31, 2019 and 2018.

	December 31, 2018			Fair Value
	Level 1	Level 2	Level 3	
Mutual Funds - Bonds	\$ 404,684	\$ -	\$ -	\$ 404,684
Mutual Funds - Stocks	314,205	-	-	314,205
Total	<u>\$ 718,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,889</u>

	December 31, 2019			Fair Value
	Level 1	Level 2	Level 3	
Mutual Funds - Bonds	\$ 428,321	\$ -	\$ -	\$ 428,321
Mutual Funds - Stocks	410,996	-	-	410,996
Total	<u>\$ 839,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 839,317</u>

7. AVAILABILITY OF FINANCIAL ASSETS

The Organization maintains its cash in various short-term investments to meet the cash needs for general expenditures. The Organization maintains marketable securities in which various long term and short-term investments are held. The Organization considers the marketable securities available for use within one year of the statement of financial position date to meet cash needs for general expenditures if necessary.

The Organizations' financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,295,292
Marketable Securities	839,317
Accounts Receivable	<u>277,622</u>
Financial assets available for general expenditures within one year	<u><u>\$ 2,412,231</u></u>

8. LEASE COMMITMENTS

The Organization leases various office equipment and warehouse equipment. Minimum lease payments over the next 5 years for the year ended December 31 is as follows:

2020	\$ 6,148
2021	5,580
2022	2,325
2023	-
2024	-
Total	<u><u>\$ 14,053</u></u>

9. SALE OF PROPERTY AND EQUIPMENT

The Organization sold its Philadelphia property in October 2018 and entered into a lease agreement with the purchaser. The gross sales price of the property was \$1,550,000 which resulted in a gain on the sale of \$210,538. A portion of the proceeds were used to pay off the mortgage payable with Bryn Mawr Trust.

10. CONCENTRATION OF CREDIT RISK

The Organization creates a credit risk by having on deposit with one financial institution funds in excess of federally insured limits (up to \$250,000). At December 31, 2019, the Organization had \$1,024,115 on deposit in excess of federally insured limits.