

Audited
Consolidated
Financial
Statements

June 30, 2018

**PENNSYLVANIA
DOWNTOWN CENTER, INC.**

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Smith Elliott Kearns & Company, LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pennsylvania Downtown Center, Inc.
Harrisburg, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Pennsylvania Downtown Center, Inc. (a nonprofit organization) and Keystone Core Services, Inc. (a subsidiary), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion of these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania Downtown Center, Inc. and subsidiary as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, management has elected to change its policy for leases by early adopting Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* in 2018. Our opinion is not modified with respect to that matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 15 through 20 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of activities, and cash flows of the individual entities, and they are not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Smith Elliott Keams & Company, LLC

Carlisle, Pennsylvania
September 17, 2018

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 415,770	\$ 254,998
Grants and other receivables	160,646	310,775
Prepaid expenses	17,345	4,977
Total current assets	<u>593,761</u>	<u>570,750</u>
Other Assets		
Cash and cash equivalents - Grantor payable (Note 9)	86,534	66,457
Loans receivable (Note 9)	128,457	200,918
Finance lease right-of-use asset, net	7,875	-
Property and equipment, net	8,527	955
Total other assets	<u>231,393</u>	<u>268,330</u>
TOTAL ASSETS	<u>\$ 825,154</u>	<u>\$ 839,080</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Vehicle loan payable - Current	\$ 2,683	\$ -
Finance lease liability - Current	1,608	-
Accounts payable and accrued expenses	23,141	40,560
Accrued payroll and vacation	5,284	6,473
Deferred membership fees	24,325	20,550
Deferred C.R.C. workshops' revenue	3,390	3,390
Deferred revenue	35,742	-
Deferred contracts	5,217	-
Grantor payable (Note 9)	101,192	133,576
Total Current Liabilities	<u>202,582</u>	<u>204,549</u>
Long-Term Liabilities		
Finance lease liability	6,245	-
Vehicle loan payable	4,071	-
Grantor payable (Note 9)	113,799	133,799
	<u>124,115</u>	<u>133,799</u>
Total Liabilities	<u>326,697</u>	<u>338,348</u>
Net Assets		
Unrestricted	<u>498,457</u>	<u>500,732</u>
Total net assets	<u>498,457</u>	<u>500,732</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 825,154</u>	<u>\$ 839,080</u>

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidated Statements of Activities
Years Ended June 30, 2018 and 2017

	2018	2017
SUPPORT AND REVENUE		
Grant revenue	\$ 493,452	\$ 625,935
Loan forgiveness revenue	52,461	137,943
Conferences	72,788	168,093
Memberships	40,933	43,744
Contributions	2,170	3,295
Workshops	4,315	12,505
Miscellaneous	4,204	2,222
Service revenue	36,546	48,500
Rent	2,400	2,400
Investment income	97	127
Total support and revenue	<u>709,366</u>	<u>1,044,764</u>
EXPENSES		
Community development programs	591,917	980,218
General and administrative	113,253	94,041
Fundraising	6,471	3,130
Total expenses	<u>711,641</u>	<u>1,077,389</u>
Change in net assets	(2,275)	(32,625)
NET ASSET, BEGINNING OF YEAR	<u>500,732</u>	<u>533,357</u>
NET ASSETS, END OF YEAR	<u>\$ 498,457</u>	<u>\$ 500,732</u>

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2018

	Community Development Programs	General and Administrative	Fundraising	Total
Auto & travel	\$ 21,625	\$ 5,489	\$ 315	\$ 27,429
Conferences	891	226	13	1,130
Depreciation	1,954	496	28	2,478
Insurance	5,299	1,345	77	6,721
Interest	298	76	4	378
Loan forgiveness	52,461	-	-	52,461
Memberships & dues	9,882	2,508	143	12,533
Miscellaneous	6,451	1,637	94	8,182
Occupancy	16,683	4,235	243	21,161
Office expense	4,277	1,086	62	5,425
Payroll taxes & benefits	58,821	14,930	855	74,606
PDC/NMSC conferences	72,193	-	-	72,193
Postage	1,336	339	19	1,694
Printing	3,611	917	53	4,581
Professional fees	37,804	9,896	550	48,250
Salaries	256,125	65,012	3,725	324,862
Supplies	10,232	2,597	149	12,978
Telephone	9,708	2,464	141	12,313
Training	2,266	-	-	2,266
Program grants	20,000	-	-	20,000
TOTAL EXPENSES	\$ 591,917	\$ 113,253	\$ 6,471	\$ 711,641

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2017

	Community Development Programs	General and Administrative	Fundraising	Total
Auto & travel	\$ 13,903	\$ 2,738	\$ 91	\$ 16,732
Conferences	1,845	363	12	2,220
Depreciation	875	172	6	1,053
Insurance	4,892	964	32	5,888
Loan forgiveness	137,943	-	-	137,943
Memberships & dues	9,699	1,910	64	11,673
Miscellaneous	2,079	409	14	2,502
Occupancy	17,604	3,467	115	21,186
Office expense	6,734	1,326	44	8,104
Payroll taxes & benefits	58,994	11,619	387	71,000
National and PDC				
Statewide conferences	309,585	-	-	309,585
Postage	1,039	205	7	1,251
Printing	10,219	2,013	67	12,299
Professional fees	46,622	8,998	299	55,919
Salaries	280,423	55,231	1,838	337,492
Supplies	14,666	2,889	96	17,651
Telephone	8,820	1,737	58	10,615
Training	4,631	-	-	4,631
Program grants	49,645	-	-	49,645
TOTAL EXPENSES	\$ 980,218	\$ 94,041	\$ 3,130	\$ 1,077,389

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,275)	\$ (32,625)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	2,479	1,053
(Increase) decrease in:		
Grants and other receivables	150,129	357
Prepaid expenses	(12,368)	6,208
Increase (decrease) in:		
Accounts payable and accrued expenses	(17,419)	(13,251)
Accrued payroll and vacation	(1,189)	2,473
Deferred membership fees	3,775	8,050
Deferred contract revenue	5,217	-
Deferred revenue	35,742	-
Grantor payable	20,077	2,215
Net cash provided (used) by operating activities	<u>184,168</u>	<u>(25,520)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(9,176)</u>	<u>-</u>
Net cash used by investing activities	<u>(9,176)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	8,050	-
Payment on vehicle loan	(1,296)	-
Payment on finance lease liability	<u>(897)</u>	<u>-</u>
Net cash provided by financing activities	<u>5,857</u>	<u>-</u>
Net increase (decrease) in cash	180,849	(25,520)
CASH, BEGINNING	<u>321,455</u>	<u>346,975</u>
CASH, ENDING	<u>\$ 502,304</u>	<u>\$ 321,455</u>
Cash and cash equivalents	\$ 415,770	\$ 254,998
Cash and cash equivalents - Grantor payable	<u>86,534</u>	<u>66,457</u>
Total cash and cash equivalents	<u>\$ 502,304</u>	<u>\$ 321,455</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 378</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
<i>Non-cash loan forgiveness</i>		
Loans forgiven by grantor	<u>\$ (52,461)</u>	<u>\$ (137,943)</u>
Loans forgiven by grantee	<u>\$ 52,461</u>	<u>\$ 137,943</u>
<i>Non-cash purchases of property and equipment</i>		
Finance right-of-use asset	<u>\$ 8,750</u>	<u>\$ -</u>
Finance lease liability	<u>\$ (8,750)</u>	<u>\$ -</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pennsylvania Downtown Center, Inc. (the Center), was incorporated on June 15, 1987. The goals of the Center are to encourage development, redevelopment, and improvement of downtown areas within the cities and towns of Pennsylvania. These goals are pursued through seminars and educational programs, member forums, promotion, implementation of comprehensive legal and financing techniques, and the acquisition and use of grants for educating downtown groups on architectural design and rehabilitation.

Keystone Core Services, Inc., (KCS) a subsidiary and wholly controlled organization of the Center, was organized in 2009 for the purpose of acting as a redevelopment partner for the reclamation and rehabilitation of blighted and deteriorated properties in which the private sector has not reinvested or redeveloped. This community-based real estate intervention process operates in communities where it has been invited to partner with a local revitalization organization.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Center and KCS, which are consolidated due to substantial ownership and control by the Center. All significant intercompany accounts and transaction have been eliminated in the consolidation.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of consolidated 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, the disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less and are included in the caption cash and cash equivalents on the consolidated statements of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or estimated fair market value on the date of purchase or donation, respectively. Depreciation is provided over the estimated useful lives of the assets by using the straight-line method. Gains and losses resulting from the sale or retirement of property and equipment are included in the consolidated statements of activities. Expenditures for maintenance and repairs are charged to expense as incurred. Significant renewals, improvements, and betterments of fixed assets are capitalized.

Property and equipment are being depreciated over the following periods:

Furniture and equipment	3-7 years
Vehicles	5 years
Leasehold improvements	7-15 years

Depreciation expense for the years ended June 30, 2018 and 2017 was \$ 2,479 and \$ 1,053, respectively.

The Organization's policy is to capitalize property and equipment expenditures of \$ 500 or more.

Net Assets

Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization.

Accrued Vacation

Employees are permitted to carry over a pre-determined maximum number of unused vacation days from one fiscal year to the next. Employees will receive payment for their unused vacation, up to that maximum, upon termination. The Organization has established a liability for unused vacation based on the aggregate maximum per employee.

Income Taxes

The Center and KCS are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are considered to be public charities. In addition, they were organized under the Pennsylvania Nonprofit Corporation Law and are exempt from state income taxes. The Organizations each file Form 990, "Return of Organization Exempt from Income Tax." The Forms 990 are generally subject to examination for a period of three years after the returns are filed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 restrictions.

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's judgment and past experience. Supporting services consist of management and general and fundraising expenses.

Grants and Other Receivables

The Organization carries receivables at cost. Receivables are generally considered collectible based on an evaluation by management and consequently no allowance has been established. The Organization does not charge interest on outstanding receivables and records bad debts when a specific item is determined to be uncollectible and written off.

Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842)

The Organization early adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* in fiscal year 2018. This standard requires operating and financing leases with a lease term of more than 12 months to be recorded on the statement of financial position as an asset with an offsetting liability. It also requires the asset to be amortized over the lease term. The provisions of this standard were applied to the acquisition of a copier for 2018. There were no other leases which met the requirements to be accounted for as a right-to-use asset or lease liability under this standard for either 2018 or 2017.

Reclassifications

Previously reported amounts for 2017 were reclassified to be comparable to 2018.

PENNSYLVANIA DOWNTOWN CENTER, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

NOTE 2 FIXED ASSETS

Fixed assets as of June 30, 2018 and 2017 are summarized as follows:

	2018	2017
Furniture and equipment	\$ 51,820	\$ 52,774
Vehicles	48,400	39,225
Leasehold improvements	1,650	1,650
	<u>101,870</u>	<u>93,649</u>
Less: Accumulated depreciation	<u>(93,343)</u>	<u>(92,694)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 8,527</u>	<u>\$ 955</u>

NOTE 3 DEFERRED REVENUE

Deferred Membership Fees

Memberships are recognized as revenue in the year in which the membership applies. Deferred membership fees represent fees that have been received in advance. Deferred membership fees were \$ 24,325 and \$ 20,550 at June 30, 2018 and 2017, respectively.

Deferred C.R.C. Workshops Revenue

The Organization assists communities with organizational development by consolidating multiple groups of non-profit organizations into single organizations. Deferred C.R.C. workshops revenue was \$ 3,390 at June 30, 2018 and 2017.

Deferred Revenue

The Organization was awarded a grant from the Department of Conservation and Natural Resources in 2016 and received an advance payment during the 2018. Deferred revenue was \$ 35,742 at June 30, 2018.

Deferred Contracts Revenue

The Organization entered into a contract with the Guthrie Clinic in February 2018. Deferred contracts revenue was \$ 5,217 at June 30, 2018 relating to a payment received from the Clinic when services had not yet been provided.

PENNSYLVANIA DOWNTOWN CENTER, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

NOTE 4 NOTE PAYABLE AND LINE OF CREDIT

During 2018, the Center borrowed \$ 8,050 to purchase a vehicle. The interest rate on the note is 2.49% and requires payments of principal and interest of \$ 232 through December 25, 2020, the maturity date. The balance on the loan at June 30, 2018 is \$ 6,754. The loan is collateralized by a vehicle with a carrying value of \$ 8,258.

The schedule of principal payments on the note at June 30, 2018 is as follows:

2019	\$ 2,683
2020	2,718
2021	<u>1,353</u>
	<u>\$ 6,754</u>

The Organization maintains a \$ 40,000 line of credit with a financial institution. The line is unsecured and expires in February 2019. The line of credit bears interest at the bank's prime rate plus 1.75%. As of June 30, 2018 and 2017, there were no amounts outstanding on the line of credit and no interest was paid during these years.

NOTE 5 RETIREMENT EXPENSE

The Organization maintains a SIMPLE retirement plan for eligible employees and matches contributions on wages up to 3% of gross wages. Retirement expense totaled \$ 6,144 and \$ 7,126 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 GRANTS

The Organization received approximately 64% and 49% of its total support and revenue in the form of grants from the Department of Community and Economic Development for the years ended June 30, 2018 and 2017, respectively. The grants are designated to accomplish specific objectives outlined in the grants' scopes of services. A significant reduction in the level of government grants, if this were to occur, may have a major impact on the Organization's programs and activities.

Grant amounts received and not spent at June 30 are reported as deferred grant revenue. Amounts spent and not received are reported as grants receivable.

NOTE 7 CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash at a local financial institution. During the course of the year, these funds may periodically exceed limits insured by the Federal Deposit Insurance Corporation. Management considers this to be a normal business risk.

PENNSYLVANIA DOWNTOWN CENTER, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

NOTE 8 LEASES

The Organization entered into various month-to-month leases under which total rent expense for the years ended June 30, 2018 and 2017 was \$ 16,394 and \$ 18,320 respectively.

The Organization entered into a finance lease agreement with Fraser Advanced Information Systems to lease a copier for five years. The lease requires sixty monthly payments of \$ 576. The incremental borrowing rate of the Organization is 5.75%. The lease agreement is for the underlying asset's entire five-year life and is classified as a finance lease under Accounting Standards Update No. 2016-02. The cost of the right-to-use asset was \$ 8,750. Total amortization and interest expense for the year ended June 30, 2018 was \$ 875 and \$ 279, respectively.

Future minimum finance lease payments, assuming no change in current terms, are as follows as of June 30, 2018:

	<u>Total annual payments</u>
2019	\$ 6,912
2020	6,912
2021	6,912
2022	6,912
2023	2,880
Total	30,528
Less service component	(21,595)
Less interest portion	(1,058)
Total lease liability	<u>\$ 7,875</u>

NOTE 9 HOUSING ASSISTANCE PROJECT/LOANS RECEIVABLE/GRANTOR PAYABLE

During the year ended June 30, 2007, the Organization began giving assistance in the form of loans to purchasers and owners of homes in certain Elm Street Communities as part of the Elm Street Demonstration project. The Organization has agreements with organizations within the communities to facilitate the program. The Organization is assisting eligible individuals with down payments and closing costs and rehabilitation costs. The maximum amount of assistance given for the down payment and closing costs is 20% of the selling price up to \$ 20,000 and the maximum for the rehabilitation costs is \$ 40,000 per house. No single homeowner can receive more than \$ 40,000 of assistance in total. The Organization obtains a second mortgage on properties for which it provides assistance.

The loans for rehabilitation costs are forgiven at 20% per year in years six through ten (i.e. 100% of the assistance is due to be repaid in years one through five if the property is sold). The loans for down payment assistance costs are not forgiven. If the homeowner sells their property prior to or during the forgiveness period, the unforgiven portion of funds must be returned to the Organization. In turn, the Organization must notify the Grantor that the funds have been returned and the Grantor will decide, on a case-by-case basis, if the funds need to be returned to the Grantor by the Organization.

PENNSYLVANIA DOWNTOWN CENTER, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

NOTE 9 HOUSING ASSISTANCE PROJECT/LOANS RECEIVABLE/GRANTOR PAYABLE (CONTINUED)

As the loans are forgiven by the Organization, as described above, the Organization will recognize an expense on the Consolidated Statements of Activities and a reduction in loans receivable, along with recognizing revenue and a reduction of grantor payable.

The Organization maintains both a loan receivable (from the homeowners) and a grantor payable on the Consolidated Statements of Financial Position for the total amount of unforgiven funds. At June 30, 2018 and 2017, the Organization had the following balances in these accounts:

	Loans Receivable	Cash on Hand	Grantor Payable
Balance as of June 30, 2016	\$ 338,861	\$ 64,242	\$ 403,103
Loans forgiven	(137,943)	-	(137,943)
Payments received	-	4,494	4,494
Use of funds for special projects	-	(2,279)	(2,279)
Balance as of June 30, 2017	200,918	66,457	267,375
Loans forgiven	(52,461)	-	(52,461)
Payments/fees received	(20,000)	20,077	77
Balance as of June 30, 2018	<u>\$ 128,457</u>	<u>\$ 86,534</u>	<u>\$ 214,991</u>

During the year ended June 30, 2018, \$ 52,461 was forgiven by the Organization.

During the year ended June 30, 2017, \$ 137,943 was forgiven by the Organization, and \$ 4,494 was returned to the Organization by homeowners.

The Organization is programming the use of cash on hand with the pre-approval of the Department of Community and Economic Development.

NOTE 10 SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to June 30, 2018 through September 17, 2018, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that occurred subsequent to June 30, 2018 that require recognition or disclosure in the financial statements.

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidating Statement of Financial Position
June 30, 2018

	Pennsylvania Downtown Center, Inc.	Keystone Core Services, Inc.	Eliminations	Consolidated
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 386,029	\$ 29,741	\$ -	\$ 415,770
Grants and other receivables	165,392	7,500	(12,246)	160,646
Prepaid expenses	17,345	-	-	17,345
Total current assets	<u>568,766</u>	<u>37,241</u>	<u>(12,246)</u>	<u>593,761</u>
Other Assets				
Cash and cash equivalents - Grantor payable	86,534	-	-	86,534
Loans receivable	128,457	-	-	128,457
Finance lease right-of-use asset	7,875	-	-	7,875
Property and equipment, net	8,527	-	-	8,527
Total other assets	<u>231,393</u>	<u>-</u>	<u>-</u>	<u>231,393</u>
TOTAL ASSETS	<u>\$ 800,159</u>	<u>\$ 37,241</u>	<u>\$ (12,246)</u>	<u>\$ 825,154</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Vehicle loan payable - Current	\$ 2,683	\$ -	\$ -	\$ 2,683
Finance lease liability - Current	1,608	-	-	1,608
Accounts payable and accrued expenses	23,141	12,246	(12,246)	23,141
Accrued payroll and vacation	5,284	-	-	5,284
Deferred membership fees	24,325	-	-	24,325
Deferred C.R.C. workshops' revenue	3,390	-	-	3,390
Deferred revenue	35,742	-	-	35,742
Deferred contracts	5,217	-	-	5,217
Grantor payable	101,192	-	-	101,192
Total Current Liabilities	<u>202,582</u>	<u>12,246</u>	<u>(12,246)</u>	<u>202,582</u>
Long-Term Liabilities				
Finance lease liability	6,245	-	-	6,245
Vehicle loan payable	4,071	-	-	4,071
Grantor payable	113,799	-	-	113,799
Total Long-Term Liabilities	<u>124,115</u>	<u>-</u>	<u>-</u>	<u>124,115</u>
Total Liabilities	<u>326,697</u>	<u>12,246</u>	<u>(12,246)</u>	<u>326,697</u>
Net Assets				
Unrestricted	473,462	24,995	-	498,457
Total net assets	<u>473,462</u>	<u>24,995</u>	<u>-</u>	<u>498,457</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 800,159</u>	<u>\$ 37,241</u>	<u>\$ (12,246)</u>	<u>\$ 825,154</u>

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidating Statement of Financial Position
June 30, 2017

	Pennsylvania Downtown Center, Inc.	Keystone Core Services, Inc.	Eliminations	Consolidated
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 236,917	\$ 18,081	\$ -	\$ 254,998
Grants and other receivables	305,521	17,500	(12,246)	310,775
Prepaid expenses	4,977	-	-	4,977
Total current assets	<u>547,415</u>	<u>35,581</u>	<u>(12,246)</u>	<u>570,750</u>
Other Assets				
Cash and cash equivalents - Grantor payable	66,457	-	-	66,457
Loans receivable	200,918	-	-	200,918
Property and equipment, net	955	-	-	955
Total other assets	<u>268,330</u>	<u>-</u>	<u>-</u>	<u>268,330</u>
TOTAL ASSETS	<u>\$ 815,745</u>	<u>\$ 35,581</u>	<u>\$ (12,246)</u>	<u>\$ 839,080</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 40,560	\$ 12,246	\$ (12,246)	\$ 40,560
Accrued payroll and vacation	6,473	-	-	6,473
Deferred membership fees	20,550	-	-	20,550
Deferred C.R.C. workshops' revenue	3,390	-	-	3,390
Grantor payable	133,576	-	-	133,576
Total liabilities	<u>204,549</u>	<u>12,246</u>	<u>(12,246)</u>	<u>204,549</u>
Long-Term Liabilities				
Grantor payable	<u>133,799</u>	<u>-</u>	<u>-</u>	<u>133,799</u>
Total Liabilities	<u>338,348</u>	<u>12,246</u>	<u>(12,246)</u>	<u>338,348</u>
Net Assets				
Unrestricted	<u>477,397</u>	<u>23,335</u>	<u>-</u>	<u>500,732</u>
Total net assets	<u>477,397</u>	<u>23,335</u>	<u>-</u>	<u>500,732</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 815,745</u>	<u>\$ 35,581</u>	<u>\$ (12,246)</u>	<u>\$ 839,080</u>

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidating Statement of Activities
Year Ended June 30, 2018

	Pennsylvania Downtown Center, Inc.	Keystone Core Services, Inc.	Eliminations	Consolidated
SUPPORT AND REVENUE				
Grant revenue	\$ 493,452	\$ -	\$ -	\$ 493,452
Loan forgiveness revenue	52,461	-	-	52,461
Conferences	72,788	-	-	72,788
Memberships	40,933	-	-	40,933
Contributions	2,170	-	-	2,170
Workshops	4,315	-	-	4,315
Miscellaneous	4,204	-	-	4,204
Service revenue	34,586	1,960	-	36,546
Rent	2,400	-	-	2,400
Investment income	97	-	-	97
Total support and revenue	<u>707,406</u>	<u>1,960</u>	<u>-</u>	<u>709,366</u>
EXPENSES				
Community development programs	591,917	-	-	591,917
General and administrative	112,953	300	-	113,253
Fundraising	6,471	-	-	6,471
Total expenses	<u>711,341</u>	<u>300</u>	<u>-</u>	<u>711,641</u>
Change in net assets	(3,935)	1,660	-	(2,275)
NET ASSETS, BEGINNING OF YEAR	<u>477,397</u>	<u>23,335</u>	<u>-</u>	<u>500,732</u>
NET ASSETS, END OF YEAR	<u>\$ 473,462</u>	<u>\$ 24,995</u>	<u>\$ -</u>	<u>\$ 498,457</u>

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidating Statement of Activities
Year Ended June 30, 2017

	Pennsylvania Downtown Center, Inc.	Keystone Core Services, Inc.	Eliminations	Consolidated
SUPPORT AND REVENUE				
Grant revenue	\$ 625,935	\$ -	\$ -	\$ 625,935
Loan forgiveness revenue	137,943	-	-	137,943
Conferences	168,093	-	-	168,093
Memberships	43,744	-	-	43,744
Contributions	3,295	-	-	3,295
Workshops	12,505	-	-	12,505
Miscellaneous	2,222	-	-	2,222
Service revenue	46,000	2,500	-	48,500
Rent	2,400	-	-	2,400
Investment income	127	-	-	127
Total support and revenue	<u>1,042,264</u>	<u>2,500</u>	<u>-</u>	<u>1,044,764</u>
EXPENSES				
Community development programs	979,282	936	-	980,218
General and administrative	94,041	-	-	94,041
Fundraising	<u>3,130</u>	<u>-</u>	<u>-</u>	<u>3,130</u>
Total expenses	<u>1,076,453</u>	<u>936</u>	<u>-</u>	<u>1,077,389</u>
Change in net assets	(34,189)	1,564	-	(32,625)
NET ASSETS, BEGINNING OF YEAR	<u>511,586</u>	<u>21,771</u>	<u>-</u>	<u>533,357</u>
NET ASSETS, END OF YEAR	<u>\$ 477,397</u>	<u>\$ 23,335</u>	<u>\$ -</u>	<u>\$ 500,732</u>

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidating Statement of Cash Flows
Year Ended June 30, 2018

	Pennsylvania Downtown Center, Inc.	Keystone Core Services, Inc.	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (3,935)	\$ 1,660	\$ -	\$ (2,275)
Adjustments to reconcile change in net assets to net cash provided (used) by net cash provided (used) by operating activities:				
Depreciation and amortization	2,479	-	-	2,479
(Increase) decrease in:				
Grants and other receivables	140,129	10,000	-	150,129
Prepaid expenses	(12,368)	-	-	(12,368)
Increase (decrease) in:				
Accounts payable and accrued expenses	(17,419)	-	-	(17,419)
Accrued payroll and vacation	(1,189)	-	-	(1,189)
Deferred membership fees	3,775	-	-	3,775
Deferred contracts	5,217	-	-	5,217
Deferred revenue	35,742	-	-	35,742
Grantor payable	20,077	-	-	20,077
Net cash provided by operating activities	<u>172,508</u>	<u>11,660</u>	<u>-</u>	<u>184,168</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(9,176)	-	-	(9,176)
Net cash provided by investing activities	<u>(9,176)</u>	<u>-</u>	<u>-</u>	<u>(9,176)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loan payable	8,050	-	-	8,050
Reduction of vehicle loan	(1,296)	-	-	(1,296)
Reduction of finance lease liability	(897)	-	-	(897)
Net cash provided by financing activities	<u>5,857</u>	<u>-</u>	<u>-</u>	<u>5,857</u>
Net increase (decrease) in cash	169,189	11,660	-	180,849
CASH, BEGINNING	<u>303,374</u>	<u>18,081</u>	<u>-</u>	<u>321,455</u>
CASH, ENDING	<u>\$ 472,563</u>	<u>\$ 29,741</u>	<u>\$ -</u>	<u>\$ 502,304</u>
Cash and cash equivalents	\$ 386,029	\$ 29,741	\$ -	\$ 415,770
Cash and cash equivalents - Grantor payable	<u>86,534</u>	<u>-</u>	<u>-</u>	<u>86,534</u>
Total cash and cash equivalents	<u>\$ 472,563</u>	<u>\$ 29,741</u>	<u>\$ -</u>	<u>\$ 502,304</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest	<u>\$ 378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES				
<i>Non-cash loan forgiveness</i>				
Loans forgiven by grantor	<u>\$ (52,461)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (52,461)</u>
Loans forgiven by grantee	<u>\$ 52,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,461</u>
<i>Non-cash purchases of property and equipment</i>				
Right-of-use asset	<u>\$ 8,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,750</u>
Right-of-use-asset liability	<u>\$ (8,750)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,750)</u>

PENNSYLVANIA DOWNTOWN CENTER, INC.
Consolidating Statement of Cash Flows
Year Ended June 30, 2017

	Pennsylvania Downtown Center, Inc.	Keystone Core Services, Inc.	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (34,189)	\$ 1,564	\$ -	\$ (32,625)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation and amortization	1,053	-	-	1,053
(Increase) decrease in:				
Grants and other receivables	(7,603)	7,960	-	357
Prepaid expenses	6,208	-	-	6,208
Increase (decrease) in:				
Accounts payable and accrued expenses	(13,251)	-	-	(13,251)
Accrued payroll and vacation	2,473	-	-	2,473
Deferred membership fees	8,050	-	-	8,050
Grantor payable	2,215	-	-	2,215
Net cash provided (used) by operating activities	<u>(35,044)</u>	<u>9,524</u>	<u>-</u>	<u>(25,520)</u>
Net increase (decrease) in cash	(35,044)	9,524	-	(25,520)
CASH, BEGINNING	<u>338,418</u>	<u>8,557</u>	<u>-</u>	<u>346,975</u>
CASH, ENDING	<u>\$ 303,374</u>	<u>\$ 18,081</u>	<u>\$ -</u>	<u>\$ 321,455</u>
Cash and cash equivalents	\$ 236,917	\$ 18,081	\$ -	\$ 254,998
Cash and cash equivalents - Grantor payable	<u>66,457</u>	<u>-</u>	<u>-</u>	<u>66,457</u>
Total cash and cash equivalents	<u>\$ 303,374</u>	<u>\$ 18,081</u>	<u>\$ -</u>	<u>\$ 321,455</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES				
Non-cash loan forgiveness				
Loans forgiven by grantor	<u>\$ (137,943)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (137,943)</u>
Loans forgiven by grantee	<u>\$ 137,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,943</u>