

**Bethesda Mission of Harrisburg,  
Inc.**

Financial Statements

Years Ended June 30, 2017 and 2016  
with Independent Auditor's Report

**MaherDuessel**

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# BETHESDA MISSION OF HARRISBURG, INC.

YEARS ENDED JUNE 30, 2017 AND 2016

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## Independent Auditor's Report

**Board of Directors  
Bethesda Mission of  
Harrisburg, Inc.**

We have audited the accompanying financial statements of Bethesda Mission of Harrisburg, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 audits 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 Bethesda Mission of Harrisburg, Inc. as of June 30, 2017 and 2016, 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.

## Emphasis of Matter

As discussed in Note 15 to the financial statements, the June 30, 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this.

*Maher Duessel*

Harrisburg, Pennsylvania  
November 14, 2017

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

<b>Assets</b>	<u>2017</u>	<u>(Restated) 2016</u>
Current assets:		
Cash and cash equivalents	\$ 1,707,774	\$ 445,539
Receivables:		
Unconditional promises to give	99,000	379,729
Other	10,941	10,440
Prepaid expenses	22,004	21,431
Donated inventory	448,262	303,264
Total current assets	<u>2,287,981</u>	<u>1,160,403</u>
Noncurrent assets:		
Investments	1,134,315	1,563,059
Property and equipment, net	6,691,454	6,927,139
Beneficial interest in net assets of a community foundation	15,673	13,257
Beneficial interest in perpetual trusts	350,566	335,565
Endowment	3,479,581	3,437,372
Total Assets	<u>\$ 13,959,570</u>	<u>\$ 13,436,795</u>

(Continued)

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

<b>Liabilities and Net Assets</b>	<u>2017</u>	<u>(Restated) 2016</u>
<b>Liabilities:</b>		
Current liabilities:		
Current maturities of notes payable	\$ 194,578	\$ 203,232
Accounts payable	41,924	38,738
Accrued expenses	239,457	260,844
Deferred revenue	35,825	21,325
Total current liabilities	<u>511,784</u>	<u>524,139</u>
Noncurrent liabilities:		
Charitable gift annuity	104,603	96,120
Notes payable, net of current portion	1,625,608	1,819,752
Total Liabilities	<u>2,241,995</u>	<u>2,440,011</u>
<b>Net Assets:</b>		
Unrestricted	4,765,036	4,411,055
Unrestricted - Board-designated	205,803	433,311
Total unrestricted	4,970,839	4,844,366
Temporarily restricted	2,419,810	1,853,839
Permanently restricted	4,326,926	4,298,579
Total Net Assets	<u>11,717,575</u>	<u>10,996,784</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 13,959,570</u></u>	<u><u>\$ 13,436,795</u></u>

(Concluded)

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

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Other Support:</b>				
Contributions	\$ 2,763,880	\$ 1,202,801	\$ -	\$ 3,966,681
Contributed food, materials, and services	3,851,726	-	-	3,851,726
Special events (net of expenses of \$39,841)	32,705	31,588	-	64,293
Miscellaneous	46,482	-	-	46,482
Investment income	378,483	-	10,930	389,413
Change in beneficial interest in net asset of a community foundation	-	-	2,416	2,416
Gain on beneficial interest in perpetual trusts	-	-	15,001	15,001
Net assets released from donor restrictions	668,418	(668,418)	-	-
Total revenues, gains, and other support	<u>7,741,694</u>	<u>565,971</u>	<u>28,347</u>	<u>8,336,012</u>
<b>Expenses:</b>				
Program services:				
Men's center	1,938,719	-	-	1,938,719
Women's and children's center	671,687	-	-	671,687
Youth center	433,985	-	-	433,985
Outreach	2,964,340	-	-	2,964,340
Medical clinic	290,495	-	-	290,495
Dental clinic	169,746	-	-	169,746
Total program services	<u>6,468,972</u>	<u>-</u>	<u>-</u>	<u>6,468,972</u>
Supporting services:				
Administrative and general	429,513	-	-	429,513
Fundraising	649,982	-	-	649,982
Total expenses	<u>7,548,467</u>	<u>-</u>	<u>-</u>	<u>7,548,467</u>
Write-off of donated inventory	66,754	-	-	66,754
<b>Change in Net Assets</b>	126,473	565,971	28,347	720,791
<b>Net Assets:</b>				
Beginning of year - restated	4,844,366	1,853,839	4,298,579	10,996,784
End of year	<u>\$ 4,970,839</u>	<u>\$ 2,419,810</u>	<u>\$ 4,326,926</u>	<u>\$ 11,717,575</u>

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

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted	(Restated) Temporarily Restricted	Permanently Restricted	(Restated) Total
<b>Revenues, Gains, and Other Support:</b>				
Contributions	\$ 2,996,886	\$ 997,721	\$ -	\$ 3,994,607
Contributed food, materials, and services	3,787,080	-	-	3,787,080
Special events (net of expenses of \$65,745)	45,403	10,556	-	55,959
Miscellaneous	36,754	-	-	36,754
Investment income	69,961	-	(104,362)	(34,401)
Change in beneficial interest in net assets of a community foundation	-	-	(391)	(391)
Loss on beneficial interest in perpetual trusts	-	-	(21,337)	(21,337)
Net assets released from donor restrictions	410,421	(410,421)	-	-
Total revenues, gains, and other support	7,346,505	597,856	(126,090)	7,818,271
<b>Expenses:</b>				
Program services:				
Men's center	1,916,623	-	-	1,916,623
Women's and children's center	682,929	-	-	682,929
Youth center	420,944	-	-	420,944
Outreach	3,204,947	-	-	3,204,947
Medical clinic	310,094	-	-	310,094
Dental clinic	121,442	-	-	121,442
Total program services	6,656,979	-	-	6,656,979
Supporting services:				
Administrative and general	500,170	-	-	500,170
Fundraising	637,078	-	-	637,078
Total expenses	7,794,227	-	-	7,794,227
Write-off of donated inventory	49,223	-	-	49,223
<b>Change in Net Assets</b>	(496,945)	597,856	(126,090)	(25,179)
<b>Net Assets:</b>				
Beginning of year	5,341,311	1,255,983	4,424,669	11,021,963
End of year - restated	\$ 4,844,366	\$ 1,853,839	\$ 4,298,579	\$ 10,996,784

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



# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Men's Center	Women's and Children's Center	Youth Center	Outreach	Medical Clinic	Dental Clinic	Total Program Services	Administrative and General	Fundraising	Total
Salary	\$ 579,173	\$ 293,642	\$ 173,955	\$ 81,312	\$ 113,561	\$ 77,951	\$ 1,319,594	\$ 228,391	\$ 239,733	\$ 1,787,718
Contributed services	1,985	-	-	-	110,048	35,106	147,139	-	-	147,139
Payroll taxes	44,190	21,398	12,808	5,864	8,561	5,879	98,700	17,579	18,166	134,445
Other human resources	1,608	1,397	1,218	182	2,169	172	6,746	3,893	1,641	12,280
Employee benefits	169,461	70,587	43,200	30,481	15,554	9,007	338,290	49,068	69,453	456,811
<b>Total personnel and contributed services</b>	<b>796,417</b>	<b>387,024</b>	<b>231,181</b>	<b>117,839</b>	<b>249,893</b>	<b>128,115</b>	<b>1,910,469</b>	<b>298,931</b>	<b>328,993</b>	<b>2,538,393</b>
Professional fees and services	47,084	3,430	825	740	330	55	52,464	62,067	21,088	135,619
Insurance	19,881	3,165	1,894	1,265	84	83	26,372	102	124	26,598
Utilities	85,031	41,337	20,642	7,484	17,206	16,577	188,277	1,022	523	189,822
Security	643	678	-	324	-	-	1,645	275	90	2,010
Repairs and maintenance	50,264	17,406	8,899	4,371	3,687	6,089	90,716	4,987	5,275	100,978
Auto and travel	17,883	4,662	11,029	15,871	17	17	49,479	277	1,719	51,475
Training	816	222	4,322	-	79	189	5,628	267	1,839	7,734
Food and beverage	55,390	7,115	5,145	2,509	-	28	70,187	1,441	1,969	73,597
Contributed food and materials	442,759	166,034	87,593	2,783,065	-	-	3,479,451	4,050	7,800	3,491,301
Cleaning	9,766	302	132	-	-	-	10,200	-	-	10,200
Supplies	10,892	9,262	3,068	3,695	217	291	27,425	3,028	1,817	32,270
Dues and publications	-	99	-	92	250	425	866	2,150	6,388	9,404
Postage and shipping	254	64	-	-	14	-	332	20	57,336	57,688
Appeals letters and promotion	-	-	-	-	30	-	30	2,658	123,877	126,565
Rent	26,677	-	-	12,700	-	-	39,377	28,161	12,069	79,607

(Continued)

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

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Men's Center	Women's and Children's Center	Youth Center	Outreach	Medical Clinic	Dental Clinic	Total Program Services	Administrative and General	Fundraising	Total
Medical and aid	21,434	5,627	799	52	3,400	13,715	45,027	27	-	45,054
Telephone	3,485	2,405	1,731	2,589	759	38	11,007	1,486	636	13,129
Interest	52,716	-	-	-	-	-	52,716	-	-	52,716
Meetings	1,947	5,007	-	50	-	-	7,004	-	24	7,028
Change in value of charitable gift annuity	-	-	-	-	-	-	-	-	33,193	33,193
Miscellaneous	18,436	1,495	31,810	68	69	850	52,728	11,508	44,982	109,218
<b>Total expenses before depreciation</b>	<b>1,661,775</b>	<b>655,334</b>	<b>409,070</b>	<b>2,952,714</b>	<b>276,035</b>	<b>166,472</b>	<b>6,121,400</b>	<b>422,457</b>	<b>649,742</b>	<b>7,193,599</b>
Depreciation and amortization	276,944	16,353	24,915	11,626	14,460	3,274	347,572	7,056	240	354,868
<b>Total expenses</b>	<b>\$ 1,938,719</b>	<b>\$ 671,687</b>	<b>\$ 433,985</b>	<b>\$ 2,964,340</b>	<b>\$ 290,495</b>	<b>\$ 169,746</b>	<b>\$ 6,468,972</b>	<b>\$ 429,513</b>	<b>\$ 649,982</b>	<b>\$ 7,548,467</b>

(Concluded)

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

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Men's Center	Women's and Children's Center	Youth Center	Outreach	Medical Clinic	Dental Clinic	Total Program Services	Administrative and General	Fundraising	(Restated) Total
Salary	\$ 552,496	\$ 309,266	\$ 167,182	\$ 93,060	\$ 144,163	\$ 32,410	\$ 1,298,577	\$ 227,502	\$ 253,443	\$ 1,779,522
Contributed services	3,069	-	-	-	98,591	35,787	137,447	-	-	137,447
Payroll taxes	40,918	22,586	12,226	6,797	10,907	2,454	95,888	16,860	18,783	131,531
Other human resources	6,184	456	1,505	571	3,700	2,135	14,551	4,755	7,477	26,783
Employee benefits	162,109	80,099	38,322	26,767	13,355	3,186	323,838	108,290	61,785	493,913
<b>Total personnel and contributed services</b>	<b>764,776</b>	<b>412,407</b>	<b>219,235</b>	<b>127,195</b>	<b>270,716</b>	<b>75,972</b>	<b>1,870,301</b>	<b>357,407</b>	<b>341,488</b>	<b>2,569,196</b>
Professional fees and services	39,880	45	6,871	779	530	405	48,510	51,219	9,305	109,034
Insurance	22,598	3,700	2,561	2,305	84	84	31,332	419	324	32,075
Utilities	68,045	39,162	13,260	7,550	13,833	12,891	154,741	1,290	784	156,815
Security	311	365	-	439	136	-	1,251	42	-	1,293
Repairs and maintenance	48,909	20,943	9,676	18,914	2,570	2,053	103,065	4,146	4,968	112,179
Auto and travel	14,897	5,234	15,176	24,849	-	-	60,156	527	2,536	63,219
Training	928	671	1,677	360	90	-	3,726	871	822	5,419
Food and beverage	50,627	13,996	4,800	9,714	-	-	79,137	696	-	79,833
Contributed food and materials	399,952	151,204	84,520	2,982,779	26	-	3,618,481	3,930	-	3,622,411
Cleaning	7,440	281	6	-	-	-	7,727	-	-	7,727
Supplies	26,470	11,132	4,996	1,707	658	4,532	49,495	10,490	10,030	70,015
Dues and publications	-	120	-	-	300	350	770	1,186	5,545	7,501
Postage and shipping	319	69	-	-	27	-	415	-	73,898	74,313
Appeals letters and promotion	-	-	-	-	246	-	246	-	145,822	146,068
Rent	24,352	-	-	12,122	-	-	36,474	27,920	11,966	76,360

(Continued)

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

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Men's Center	Women's and Children's Center	Youth Center	Outreach	Medical Clinic	Dental Clinic	Total Program Services	Administrative and General	Fundraising	(Restated) Total
Medical and aid	13,128	4,066	793	66	17,249	8,661	43,963	-	-	43,963
Telephone	3,619	1,740	1,434	2,592	504	348	10,237	1,666	714	12,965
Interest	67,646	-	-	-	-	-	67,646	1,256	-	68,902
Meetings	375	1,572	1,401	192	-	-	3,540	308	1,089	4,937
Change in value of charitable gift annuity	-	-	-	-	-	-	-	11,653	-	11,653
Bad debt expense	76,119	-	-	-	-	-	76,119	-	-	76,119
Miscellaneous	10,185	2,667	26,008	287	63	633	39,843	18,088	27,547	85,478
Total expenses before depreciation	<u>1,640,576</u>	<u>669,374</u>	<u>392,414</u>	<u>3,191,850</u>	<u>307,032</u>	<u>105,929</u>	<u>6,307,175</u>	<u>493,114</u>	<u>636,838</u>	<u>7,437,127</u>
Depreciation and amortization	<u>276,047</u>	<u>13,555</u>	<u>28,530</u>	<u>13,097</u>	<u>3,062</u>	<u>15,513</u>	<u>349,804</u>	<u>7,056</u>	<u>240</u>	<u>357,100</u>
Total expenses	<u>\$ 1,916,623</u>	<u>\$ 682,929</u>	<u>\$ 420,944</u>	<u>\$ 3,204,947</u>	<u>\$ 310,094</u>	<u>\$ 121,442</u>	<u>\$ 6,656,979</u>	<u>\$ 500,170</u>	<u>\$ 637,078</u>	<u>\$ 7,794,227</u>

(Concluded)

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

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	(Restated) 2016
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 720,791	\$ (25,179)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	354,868	357,100
Donated inventory	(55,352)	(23,210)
Write-off of donated inventory	66,754	49,223
Net realized and unrealized (gain) loss on investments	(286,055)	160,620
Change in beneficial interest in net assets of a community foundation	(2,416)	391
Change in beneficial interest in perpetual trusts	(15,001)	21,337
(Increase) decrease in:		
Receivables:		
Unconditional promises to give	280,729	(298,610)
Other	(501)	889
Prepaid expenses	(573)	(5,416)
Donated inventory	(156,400)	1,387
Increase (decrease) in:		
Accounts payable	3,186	9,718
Accrued expenses	(21,387)	26,961
Deferred revenue	14,500	(8,750)
Charitable gift annuity	8,483	(2,299)
Net cash and cash equivalents provided by operating activities	<u>911,626</u>	<u>264,162</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(119,183)	(42,943)
Proceeds from sale of investments	7,214,050	6,184,342
Purchase of investments	<u>(6,541,460)</u>	<u>(5,899,469)</u>
Net cash and cash equivalents provided by investing activities	<u>553,407</u>	<u>241,930</u>

(Continued)

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

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	(Restated) 2016
<b>Cash Flows From Financing Activities:</b>		
Repayment of principal on notes payable	(202,798)	(196,398)
Net cash and cash equivalents used in financing activities	(202,798)	(196,398)
<b>Net Increase in Cash and Cash Equivalents</b>	1,262,235	309,694
<b>Cash and Cash Equivalents:</b>		
Beginning of year	445,539	135,845
End of year	\$ 1,707,774	\$ 445,539
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 52,716	\$ 68,902
Cash paid during the year for taxes	2,824	\$ 1,905
		(Concluded)

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

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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### 1. Organization

Bethesda Mission (Mission), is a nonprofit organization exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code. The Mission's purpose is to provide care and counseling to homeless men, women, and children of the greater Harrisburg area, in order for these people to become knowledgeable and responsible participants in society.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting with revenue recognized when earned and expenses recognized when incurred.

#### Basis of Presentation

The Mission is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Mission and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations. Unrestricted net assets include Board-designated net assets that are subject to Board of Directors (Board) stipulations that will be met either by the actions of the Mission and/or the passage of time.

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

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the assets be maintained permanently by the Mission. Generally, the donors of these assets permit the Mission to use all or part of the income earned on related investments for general or specific purposes.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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### Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Mission considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of checking and savings accounts at June 30, 2017 and 2016.

### Investments

Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the statements of activities.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all ordinary income from investments, are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations, or by law.

The Mission's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities, and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near-term.

### Fair Value Measurements

The Mission records its investments based on fair value. The use of observable inputs is maximized and the use of unobservable inputs is minimized by using observable inputs when available.



# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available, but traded less frequently, and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 — Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Mission. The Mission considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Mission's perceived risk of that instrument.

For certain assets held in trust in a custodial capacity by financial or similar institutions, fair value is as reported by the trustee. Investments received as gifts are recorded at fair value

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

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as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

### *Valuation of Investments*

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government obligations, certain money market securities, and certain mutual funds.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds, certificates of deposit, and municipal obligations. The Mission's Level 2 investments are valued using the market approach based on current exchange prices. For securities that don't trade on exchanges, the dealer utilizes a modeling system based on current market data including benchmark yields, reported trades and broker-dealer quotes. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include beneficial interest in net assets of a community foundation and beneficial interest in perpetual trusts. When observable prices are not available for these securities, the Mission uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

The inputs used by the Mission in estimating the value of Level 3 investments may include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Mission in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis.

# BETHESDA MISSION OF HARRISBURG, INC.

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Assumptions used by the Mission due to the lack of observable inputs may significantly impact the resulting fair value and, therefore, the Mission's results of operations.

### Unconditional Promises to Give

Contributions are recognized at fair value when the donor makes a promise to give the Mission that is, in substance, unconditional.

### Donated Inventory

Donated inventory is measured at fair value at the time of receipt.

### Property and Equipment

Property and equipment are recorded at cost or fair value (if donated), less accumulated depreciation. Donated assets are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

The Mission's property and equipment are depreciated using the straight-line method over the estimated average useful lives of the assets of 5 to 31.5 years for building and improvements, 4 to 7 years for vehicles, and 3 to 10 years for equipment and software.

The Mission's policy is to capitalize property and equipment expenditures of \$5,000 or more.

### Split-Interest Agreements

The Mission is a recipient of certain split-interest agreements, arrangements in which it has a beneficial interest but is not the sole beneficiary. The types of agreements and related accounting policies are as follows:

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

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- Charitable Gift Annuities

Assets received under charitable gift annuities, arrangements in which a donor contributes assets to the Mission in exchange for a promise by the Mission to pay a fixed amount for a specified period of time to the donor or a specified beneficiary, are recorded at fair value. Liabilities under these arrangements represent the present value of estimated contractual payments calculated on an actuarial basis. The difference between the fair value of the assets received and liabilities assumed is recognized as unrestricted gift revenue unless the donor has restricted the Mission's use of its interest to a specific time period or purpose.

The assets received under charitable gift annuities are considered to be assets of the Mission and are included in cash and investments on the statements of financial position. The fair value of the assets under charitable gift annuities is \$180,285 and \$191,635 at June 30, 2017 and 2016, respectively.

The present value of future payment liabilities on these charitable gift annuities based on the donors' ages and a discount factor of 4.30% to 7.60% is \$104,603 and \$96,120 at June 30, 2017 and 2016, respectively.

During the term of these agreements, payments made to the donor or specified beneficiaries reduce the annuity liability, and adjustments made to the annuity liability to reflect the amortization of the discount and changes in actuarial assumptions are recognized in the statements of activities as changes in the values of charitable gift annuity. Generally, upon the death of the beneficiaries, the annuity liability is closed and a change in the value of the related charitable gift annuity is recognized in the statements of activities.

- Beneficial Interest in Perpetual Trusts

The Mission has been named as a beneficiary in certain perpetual trusts. Under the terms of the trust agreements, the Mission has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity, but never receives the assets held in the trusts. The Mission's estimate of the fair value of the trusts is based on fair value information received from the trustee. As of June 30, 2017 and 2016, the Mission's estimated beneficial interest in these perpetual trusts amounted to \$350,566 and \$335,565, respectively.

# BETHESDA MISSION OF HARRISBURG, INC.

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- Beneficial Interest in Net Assets of a Community Foundation:

The Mission has a beneficial interest in net assets of a community foundation, The Foundation for Enhancing Communities (TFEC). Fair value of the beneficial interest is determined using the market approach based on the fair value of the assets held by the community foundation. As of June 30, 2017 and 2016, the Mission's estimated beneficial interest in net assets of a community foundation was \$15,673 and \$13,257, respectively.

### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support. This requirement is dependent on the existence and/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 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 statements of activities as net assets released from restrictions.

### Functional Expenses

The Mission allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Certain general and administrative costs have been allocated among the programs benefited based on, among other things, evaluations of employees' time incurred on each program.

### In-Kind Contributions

Donated in-kind contributions are recorded at fair value in the year of receipt. These contributions are recognized as both support and expenses in the statements of activities. The excess of support over expenses at year-end is recognized as inventory. Only those contributed services that create or enhance non-financial assets, require skills and are provided by such individuals possessing those skills, and would typically need to be purchased, if not provided by donations, are recognized in the financial statements.

# BETHESDA MISSION OF HARRISBURG, INC.

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### Income Taxes

The Internal Revenue Service has determined that the Mission is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Mission is subject to federal income tax on unrelated trade or business income. Unrelated trade or business income consists primarily of rental payments from the parking lot.

Further, the Mission annually files a Form 990 and a Form 990-T. The forms filed are subject to examination by the Internal Revenue Service generally for three years after they are filed.

### Management's 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

### Endowment Investment and Spending Policy

#### *Return Objectives and Risk Parameters*

The Mission has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. The goal of the Mission's investment policy is to maintain the purchasing power of the current assets and all future contributions, to maintain the level of services and programs, and to maximize return within reasonable and prudent levels of risk. Under the investment policy approved by the Board for the years ended June 30, 2017 and 2016, the charitable gift annuity asset has a strategic target of 35% equity securities, 65% fixed income securities, and 5% cash and cash equivalents with allowable investment bounds of 30% to 40% in equity securities, 60% - 70% in fixed income securities, and 0% to 10% in cash and cash equivalents; the restricted endowment assets have a strategic target of 60% equity securities, 35% fixed income securities, and 5% cash and cash equivalents with allowable investment bounds of 55% to 65% in equity securities, 30% - 40% in fixed income securities, and 0% to 10% in cash and cash equivalents; the unrestricted endowment assets have a strategic target of 10% equity securities, 90% fixed income securities, 5% alternative investments, and 0% cash and cash equivalents with allowable investment bounds of 5% to 15% in equity securities, 85% - 90% in fixed income securities,

# BETHESDA MISSION OF HARRISBURG, INC.

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0% to 10% in alternative investments, and 0% to 5% in cash and cash equivalents; the short-term and other restricted funds have a strategic target of 40% equity securities, 60% fixed income securities, and 5% cash and cash equivalents with allowable investment bounds of 30% to 50% in equity securities, 50% - 70% in fixed income securities, and 0% to 10% in cash and cash equivalents.

### *Strategies Employed for Achieving Objectives*

Subject to the restrictions of the donor, the Board has sole discretion as to the investment of endowment fund assets. Income earned and received during a year is to be retained in the endowment and expended for the purpose of the endowment in subsequent years. The Mission has retained the Fulk Endowment Fund and Other Endowments as part of its cash balance. The current asset allocation for beneficial interest in assets held in a community foundation and beneficial interest in assets held in perpetual trusts is maintained and determined by third-party financial advisors without input from the Mission.

### *Spending Policy and How the Investment Objectives Relate to the Spending Policy*

The spending policy calculates the amount of money annually distributed from the Mission's endowment funds for operations. During the year ended June 30, 2014, the Board adopted a spending policy in which the annual withdrawal shall be calculated using the total return methodology, and shall be derived from both capital appreciation and earnings on investments. The distribution percentage, from 2-7%, will be multiplied by the average of the prior five-year market value unless restricted by donor intent. For the years ended June 30, 2017 and 2016, \$250,000 and \$240,000, respectively, was disbursed from the endowment funds.

### Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

### Pending Accounting Standards Updates

ASU 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities," is effective for the Mission's financial statements for the year ending June 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial

# BETHESDA MISSION OF HARRISBURG, INC.

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performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment.

ASU 2014-09, *“Revenue from Contracts with Customers,”* is effective for the Mission’s financial statements for the year ending June 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU 2016-02, *“Leases (Topic 842),”* is effective for the Mission’s financial statements for the year ending June 30, 2021. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Management has not yet determined the impact of these amendments on the Mission’s financial statements.

### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

### **3. Unconditional Promises to Give**

Unconditional promises to give at June 30, 2017 and 2016 are as follows:

	2017	(Restated) 2016
Temporarily restricted - capital fund - youth center	\$ 99,000	\$ 379,729

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# BETHESDA MISSION OF HARRISBURG, INC.

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### 4. Property and Equipment

Property and equipment at June 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Land:		
Men's center	\$ 1,823,729	\$ 1,823,729
Women's center	9,326	9,326
Youth center	30,000	30,000
Construction in progress	118,143	20,531
Land improvements:		
Men's center	41,466	41,466
Leasehold improvements	26,240	26,240
Building:		
Men's center	8,000	8,000
Women's center	17,000	17,000
Youth center	296,958	296,958
Building improvements:		
Men's center	6,042,755	6,028,602
Women's center	425,354	425,354
Youth center	224,921	224,921
Equipment:		
Vehicles	209,436	214,600
Office	397,872	397,872
Program	505,049	497,631
Burial plots	2,800	2,800
Total	10,179,049	10,065,030
Less: accumulated depreciation	<u>(3,487,595)</u>	<u>(3,137,891)</u>
Total property and equipment, net	<u>\$ 6,691,454</u>	<u>\$ 6,927,139</u>

The total depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$353,569 and \$357,100, respectively.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 5. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the investments and beneficial interest in perpetual trusts at fair value, cost, and unrealized appreciation (depreciation) as of June 30, 2017:

	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Cash	1	\$ 174	\$ 174	\$ -
Certificate of deposit	2	250,217	250,020	197
Money market funds	1	104,553	104,553	-
Common stock:				
Basic materials	1	18,959	18,635	324
Consumer discretionary	1	113,868	111,446	2,422
Consumer staples	1	59,967	55,267	4,700
Energy	1	40,446	42,318	(1,872)
Financials	1	123,447	107,206	16,241
Healthcare	1	110,338	102,556	7,782
Industrials	1	47,432	45,319	2,113
Information technology	1	137,651	111,789	25,862
Utilities	1	30,296	29,674	622
Telecom services	1	14,559	16,038	(1,479)
Equity mutual funds:				
Large cap funds	1	317,505	290,310	27,195
Small/mid cap	1	188,062	176,046	12,016
International developed	1	546,539	507,532	39,007
Emerging international	1	156,691	126,531	30,160
Fixed income mutual funds:				
Multi-sector	1	447,038	442,935	4,103
Mortgages/asset backed	1	153,857	158,031	(4,174)
Intermediate-term bond	1	58,317	57,796	521
International	1	275,923	276,055	(132)
Ultra Short Bond Fund	1	255,280	255,000	280
High yield	1	77,179	77,122	57
Alternative investments	1	10,307	10,717	(410)
Debt securities:				
Corporate bonds	2	579,686	571,628	8,058
U.S. Treasuries	1	404,828	404,251	577
Municipal bonds	2	90,777	86,791	3,986
		<u>\$ 4,613,896</u>	<u>\$ 4,435,740</u>	<u>\$ 178,156</u>
Beneficial interest in net assets of a community foundation	3	<u>\$ 15,673</u>		
Beneficial interest in perpetual trusts	3	<u>\$ 350,566</u>		

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

The following table sets forth by level, within the fair value hierarchy, the investments and beneficial interest in perpetual trusts at fair value, cost, and unrealized appreciation (depreciation) as of June 30, 2016:

	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Cash	1	\$ 578	\$ 578	\$ -
Money market funds	1	415,078	415,078	-
Common stock:				
Basic materials	1	7,709	10,557	(2,848)
Consumer discretionary	1	66,895	61,610	5,285
Consumer staples	1	27,747	23,931	3,816
Energy	1	61,726	63,501	(1,775)
Financials	1	118,496	90,900	27,596
Healthcare	1	65,910	55,755	10,155
Industrials	1	53,157	45,699	7,458
Information technology	1	135,641	109,344	26,297
Utilities	1	15,570	8,984	6,586
Telecom services	1	6,698	5,378	1,320
Equity mutual funds:				
Large cap funds	1	644,637	595,358	49,279
Small/mid cap	1	272,554	264,748	7,806
International developed	1	285,378	301,878	(16,500)
Emerging international	1	174,802	168,781	6,021
Other international	1	262,526	266,298	(3,772)
Fixed income mutual funds:				
Multi-sector	1	550,988	566,772	(15,784)
Mortgages/asset backed	1	156,077	156,597	(520)
Intermediate-term bond	1	86,558	85,671	887
International	1	61,316	61,476	(160)
High yield	1	62,156	65,668	(3,512)
Alternative investments	1	28,235	28,048	187
Debt securities:				
Corporate bonds	2	912,054	877,002	35,052
U.S. Treasuries	1	323,182	321,210	1,972
Municipal bonds	2	204,763	193,526	11,237
		<u>\$ 5,000,431</u>	<u>\$ 4,844,348</u>	<u>\$ 156,083</u>
Beneficial interest in net assets of a community foundation	3	<u>\$ 13,257</u>		
Beneficial interest in perpetual trusts	3	<u>\$ 335,565</u>		

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Fair Value of Financial Instruments

The following is a description of the valuation methodologies used for Level 3 assets:

#### Beneficial Interest in Perpetual Trusts

The Mission is the beneficiary of several trusts which are managed by various financial institutions. The financial institutions hold the investments in diversified and balanced portfolios consisting of cash and money market funds, government debt securities, equity securities and equity mutual funds, fixed income mutual funds, and alternative/liquid real asset funds. The Mission uses the income approach to value the beneficial interest in perpetual trusts.

The method described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Mission believes its reliance on this valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes the changes in the fair value of the Mission's Level 3 assets for the years ended June 30, 2017 and 2016:

	<u>Beneficial interest in perpetual trusts</u>	<u>Beneficial interest in net assets of a community foundation</u>
<u>June 30, 2017</u>		
Balance, beginning of year	\$ 335,565	\$ 13,257
Change in value	<u>15,001</u>	<u>2,416</u>
Balance, end of year	<u><u>\$ 350,566</u></u>	<u><u>\$ 15,673</u></u>
<u>June 30, 2016</u>		
Balance, beginning of year	\$ 356,902	\$ 13,648
Change in value	<u>(21,337)</u>	<u>(391)</u>
Balance, end of year	<u><u>\$ 335,565</u></u>	<u><u>\$ 13,257</u></u>

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# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

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Investment income (loss) consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 103,358	\$ 126,219
Net realized and unrealized gain (loss) on investments	<u>286,055</u>	<u>(160,620)</u>
Total investment income (loss)	<u>\$ 389,413</u>	<u>\$ (34,401)</u>

For the years ended June 30, 2017 and 2016, investment income on the permanently restricted endowment funds of \$303,024 and \$68,202, respectively, was recorded in unrestricted net assets.

## 6. Endowment

### Interpretation of Relevant Law

The Board of the Mission has interpreted the Commonwealth of Pennsylvania state law as requiring the long-term preservation of the real value of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Mission classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) enhancements or diminishments to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by the Mission in a manner consistent with the standard of prudence prescribed by the relevant state law.

The Mission's endowment funds include only donor-restricted endowment funds. As required by accounting standards generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

There are five trusts held by third parties, for which the Mission has an irrevocable right to receive a portion of income earned from the trust assets in perpetuity. The Mission records

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

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its beneficial interest in perpetual trusts as a percentage of the fair value of the trust assets consistent with its beneficial interest. Income received from the trusts is included in the gain or loss on beneficial interest in perpetual trusts on the statements of activities.

Since the Mission can never access the trust assets, the beneficial interest in perpetual trusts is included in permanently restricted net assets.

The gain or loss on beneficial interest in perpetual trusts is recorded as an increase or decrease in permanently restricted net assets in the statements of activities.

The Mission's endowment net assets have the following activity for the year ended June 30, 2017:

	Permanently Restricted				
	Fulk Endowment Fund	Other Endowments	Beneficial Interest in Assets Held in Perpetual Trusts	Beneficial Interest in Net Assets of a Community Foundation	Total
Beginning of year	\$ 30,272	\$ 3,919,485	\$ 335,565	\$ 13,257	\$ 4,298,579
Investment return:					
Change in value	-	10,930	-	-	10,930
Change in beneficial interest					
in perpetual trusts	-	-	15,001	-	15,001
Change in beneficial interest					
in net assets of a community foundation	-	-	-	2,416	2,416
End of year	<u>\$ 30,272</u>	<u>\$ 3,930,415</u>	<u>\$ 350,566</u>	<u>\$ 15,673</u>	<u>\$ 4,326,926</u>

# BETHESDA MISSION OF HARRISBURG, INC.

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The Mission's endowment net assets have the following activity for the year ended June 30, 2016:

	Permanently Restricted				Total
	Fulk Endowment Fund	Other Endowments	Beneficial Interest in Assets Held in Perpetual Trusts	Beneficial Interest in Net Assets of a Community Foundation	
Beginning of year	\$ 30,272	\$ 4,023,847	\$ 356,902	\$ 13,648	\$ 4,424,669
Investment return:					
Change in value	-	(104,362)	-	-	(104,362)
Change in beneficial interest					
in perpetual trusts	-	-	(21,337)	-	(21,337)
Change in beneficial interest					
in net assets of a community foundation	-	-	-	(391)	(391)
End of year	<u>\$ 30,272</u>	<u>\$ 3,919,485</u>	<u>\$ 335,565</u>	<u>\$ 13,257</u>	<u>\$ 4,298,579</u>

# BETHESDA MISSION OF HARRISBURG, INC.

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### 7. Notes Payable

Notes payable as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
The Mission has a mortgage with Fulton Bank. The mortgage requires monthly payments of principal and interest of \$6,369, with interest calculated at a variable rate of Fulton's prime rate (4.25% at June 30, 2017). On September 7, 2026, the remaining principal and interest will be due and payable in full.	\$ 577,573	\$ 629,440
In December 2012, the Mission issued Revenue Note, Series of 2012 for \$2,300,000. In May 2017, the Mission amended Revenue Note, Series of 2012. The amended loan requires quarterly payments of \$47,238, with interest calculated at a fixed rate of 3.1% through May 17, 2020 and at an annual variable rate of 66% of the prime rate on May 17, 2020 and each May 17 thereafter through and including May 17, 2027. The Men's Center Building is pledged as collateral for this loan.	<u>1,242,613</u>	<u>1,393,544</u>
Total notes payable	1,820,186	2,022,984
Less current maturities	<u>(194,578)</u>	<u>(203,232)</u>
Total notes payable, net of current maturities	<u>\$ 1,625,608</u>	<u>\$ 1,819,752</u>

Maturities of notes payable are as follows:

2018	\$ 194,578
2019	191,695
2020	198,408
2021	205,362
2022	212,565
Thereafter	<u>817,578</u>
	<u>\$ 1,820,186</u>



# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 8. Operating Leases

The Mission leases space to be used for transitional living program purposes for men who have completed the Helmsman program. The lease required monthly payments of \$2,158 through May 31, 2009. Beginning June 1, 2009, payments increased to \$2,223 and continued through May 31, 2015. Beginning June 1, 2015, payments remained consistent at \$2,223 and the lease became a month-to-month lease.

The Mission leases space for its administrative operations. The lease required monthly rent payments of \$2,859. Beginning June 1, 2010, monthly payments increased on an annual basis in accordance with the lease agreement through May of 2013. During the year ended June 30, 2013, the Mission extended the lease through May 31, 2016. Monthly payments remained consistent at \$3,034. Beginning February 1, 2015, the Mission entered into a new lease agreement through May 31, 2018. The lease requires monthly rent payments of \$3,180.

Beginning January 1, 2011, the Mission entered into a facility use agreement to provide warehouse storage, work space, and office space for the Mission's Outreach Ministries Food distribution. Monthly payments of \$1,000 for facility use continued through December 2014. The lease agreement states that the lease can be renewed for an indefinite series of six months thereafter. Monthly payments of \$550 were paid for utilities and continued through the same date. Beginning January 1, 2016, the Mission entered into a new lease agreement through December 31, 2017. The lease requires monthly rent payments of \$1,100 and monthly payments of \$570 will be paid for utilities and will continue through the same date.

Total rent expense for the years ended June 30, 2017 and 2016 is \$79,607 and \$76,360, respectively. Remaining future minimum rental payments subsequent to June 30, 2017 are as follows:

2018	\$ 41,580
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### 9. Retirement Plan

The Mission maintains a Section 403(b) defined contribution employee retirement plan. All full-time employees are eligible to participate following one year of service and must have reached age 21 at the time that one year of employment has been completed. For part-time

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# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

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employees, eligibility begins after 2,000 hours of service and reaching the age 21. The contribution rate for employees with three years or less of service is 3% of the employees' gross salary and the rate is 5% for more than three years of service. Effective January 1, 2015, the employer elected to contribute a 2% match to the employee contributions. Effective March 31, 2017, the employer elected not to match the employee contributions. Total employer retirement contributions for the years ended June 30, 2017 and 2016 is \$22,575 and \$28,732, respectively.

### 10. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	2017	(Restated) 2016
	<u>2017</u>	<u>2016</u>
Operations - men's center	\$ 107	\$ 377
Operations - women's center	3,071	140,765
Operations - youth center	37,133	41,825
Operations - outreach	-	7
Operations - medical/dental	80,000	149,410
Capital campaign - medical/dental clinic	43,096	43,781
Capital campaign - youth center	1,434,796	629,085
Capital campaign - women's shelter	766,553	784,791
Miscellaneous items (including food)	55,054	63,798
	<u>\$ 2,419,810</u>	<u>\$ 1,853,839</u>

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

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Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified as follows:

	<u>2017</u>	<u>2016</u>
180 campaign	\$ 14,105	\$ 92,400
Operations - men's center	41,762	11,861
Operations - women's center	182,382	2,922
Operations - youth center	34,036	23,684
Operations - outreach	28,216	19,989
Operations - medical/dental clinic	80,129	39,708
Capital campaign - medical/dental clinic	686	2,753
Capital campaign - youth center	80,403	11,091
Capital Campaign - women's center	20,363	-
Miscellaneous items	186,336	206,013
	<u>\$ 668,418</u>	<u>\$ 410,421</u>

### 11. Contributed Food, Materials, and Services

Donated food is reflected as contributions and program expenses in the accompanying financial statements at their estimated fair values. Total estimated donated food received for the years ended June 30, 2017 and 2016 is \$2,639,183 and \$2,599,464, respectively. Donated materials are also reflected as contributions and program expenses at their estimated fair value. The estimated fair value is based on varying rates per pound for nine different classes of items received in and out of the Mission's warehouse and programs. Total donated materials received for the years ended June 30, 2017 and 2016 is \$1,064,888 and \$1,046,157, respectively. These items are delivered to other nonprofit organizations that have a need for the items. The Mission determines the fair value and records a corresponding program expense under outreach.

# BETHESDA MISSION OF HARRISBURG, INC.

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Local professionals including physicians, nurses, pharmacists, physician's assistants, medical students, and emergency medical technicians (EMTs) have made significant contributions of their time to promote the Mission's programs, principally by providing medical services to individuals at the Mission. Values were given to services provided per hour as follows:

	<u>2017</u>	<u>2016</u>
Attending physician	\$ 89	\$ 89
Resident physician	19	19
Registered nurse	31	31
Medical student	21	21
Physical therapist	29	29
Dentists	71	71
Dental student	17	17
Hygienists	31	31

The Mission also recognizes services provided by individuals, such as mechanics, who donate their labor for repairs which would otherwise need to be purchased. The amount recognized by the Mission is based upon varying rates per hour provided by the individuals and their actual time spent. The total amount valued by the Mission for contributed services during the years ended June 30, 2017 and 2016 is \$147,655 and \$141,459, respectively.

## 12. Related Party Transactions

The Mission contracts with Armstrong Printery and Property Management, Inc., for printing materials and renting office space, respectively. Armstrong Printery is owned by a member of the Mission's Board. The treasurer of the Mission's Board, until December 31, 2015, is an officer and shareholder of Property Management, Inc. For the years ended June 30, 2017 and 2016, respectively, the Mission purchased \$94,886 and \$103,272 in materials from Armstrong Printery. For the year ended June 30, 2016, the Mission paid \$39,900 in lease payments to Property Management, Inc. Fulton Bank provides loan and investment services to the Mission. The Treasurer of the Mission's Board is an employee of Fulton Bank. See Note 7 for information on the loan with Fulton Bank.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 13. Concentration of Credit Risk

Financial instruments that potentially subject the Mission to concentration of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Mission's accounts at financial institutions exceeded the insurance obtained through the FDIC from time to time. For the years ended June 30, 2017 and 2016 amounts in excess of the FDIC limit totaled \$1,352,033 and \$0, respectively.

### 14. Commitment

The Mission was awarded a grant in the amount of \$500,000 from the Federal Home Loan Bank Board (FHLB) during the year ending September 30, 2006. The grant was used solely for the men's center renovations. Also, the Mission has committed to continuing to use its men's center as an affordable housing project, as outlined by the FHLB, for a period of at least 15 years to remain in compliance with the grant agreement. If noncompliance results, the Mission would be required to pay back grant funds. The Mission is committed to complying with the terms of the FHLB grant; therefore, the possibility of noncompliance is considered remote.

During the year ended June 30, 2017, the Mission entered into three contracts totaling \$132,230 for the planning and construction of the Youth Center and the Women's Shelter. At June 30, 2017, the commitment remaining on the contracts was \$58,624.

### 15. Restatement

As discussed in Note 2, contributions are recognized when the donor makes a promise to give the Mission that is, in substance, unconditional. There were material adjustments that were not initially identified by the Mission's financial reporting system. Prior to these adjustments, the pledges receivable and the temporarily restricted revenue were understated by \$130,000 for the year ended June 30, 2016. The June 30, 2016 financial statements have been restated as follows to report these funds in accordance with generally accepted accounting principles:

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
Statement of Financial Position:			
Receivables:			
Unconditional promises to give	\$ 249,729	\$ 379,729	\$ 130,000
Temporarily restricted net assets	\$ 1,723,839	\$ 1,853,839	\$ 130,000
Statement of activities:			
Contributions, temporarily restricted	\$ 867,721	\$ 997,721	\$ 130,000
Change in temporarily restricted net assets	\$ 467,856	\$ 597,856	\$ 130,000
Temporarily Restricted Net Assets			
End of year	\$ 1,723,839	\$ 1,853,839	\$ 130,000