

**Bethesda Mission of Harrisburg,
Inc.**

Financial Statements

Years Ended June 30, 2018 and 2017
with Independent Auditor's Report

MaherDuessel

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BETHESDA MISSION OF HARRISBURG, INC.

YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maher Duessel

Harrisburg, Pennsylvania
November 8, 2018

BETHESDA MISSION OF HARRISBURG, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 1,896,365	\$ 1,707,774
Receivables:		
Unconditional promises to give	18,000	99,000
Other	9,920	10,941
Prepaid expenses	68,077	22,004
Donated inventory	422,713	448,262
Total current assets	<u>2,415,075</u>	<u>2,287,981</u>
Noncurrent assets:		
Investments	1,029,793	1,134,315
Property and equipment, net	5,104,924	6,691,454
Beneficial interest in net assets of a community foundation	17,397	15,673
Beneficial interest in perpetual trusts	356,819	350,566
Endowment	3,421,982	3,479,581
Total Assets	<u>\$ 12,345,990</u>	<u>\$ 13,959,570</u>

(Continued)

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

Liabilities and Net Assets	<u>2018</u>	<u>2017</u>
Liabilities:		
Current liabilities:		
Current maturities of notes payable	\$ 157,883	\$ 194,578
Accounts payable	49,472	41,924
Accrued expenses	231,081	239,457
Deferred revenue	26,850	35,825
Total current liabilities	<u>465,286</u>	<u>511,784</u>
Noncurrent liabilities:		
Charitable gift annuity	122,757	104,603
Notes payable, net of current portion	1,504,439	1,625,608
Total Liabilities	<u>2,092,482</u>	<u>2,241,995</u>
Net Assets:		
Unrestricted	3,410,327	4,765,036
Unrestricted - Board-designated	112,369	205,803
Total unrestricted	<u>3,522,696</u>	<u>4,970,839</u>
Temporarily restricted	2,359,149	2,419,810
Permanently restricted	4,371,663	4,326,926
Total Net Assets	<u>10,253,508</u>	<u>11,717,575</u>
Total Liabilities and Net Assets	<u><u>\$ 12,345,990</u></u>	<u><u>\$ 13,959,570</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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:				
Contributions	\$ 2,864,369	\$ 358,673	\$ -	\$ 3,223,042
Contributed food, materials, and services	4,628,381	-	-	4,628,381
Special events	174,823	45,988	-	220,811
Miscellaneous	48,149	-	-	48,149
Investment income	203,964	-	36,760	240,724
Change in beneficial interest in net asset of a community foundation	-	-	1,724	1,724
Gain on beneficial interest in perpetual trusts	-	-	6,253	6,253
Net assets released from donor restrictions	465,322	(465,322)	-	-
Total revenues, gains, and other support	8,385,008	(60,661)	44,737	8,369,084
Expenses:				
Program services:				
Men's center	1,895,775	-	-	1,895,775
Women's and children's center	645,736	-	-	645,736
Youth center	432,806	-	-	432,806
Outreach	3,901,710	-	-	3,901,710
Medical clinic	241,398	-	-	241,398
Dental clinic	178,093	-	-	178,093
Total program services	7,295,518	-	-	7,295,518
Supporting services:				
Administrative and general	405,130	-	-	405,130
Fundraising	651,923	-	-	651,923
Total expenses	8,352,571	-	-	8,352,571
Write-off of donated inventory	114,784	-	-	114,784
Loss on impairment	1,365,796	-	-	1,365,796
Total expenses and losses	9,833,151	-	-	9,833,151
Change in Net Assets	(1,448,143)	(60,661)	44,737	(1,464,067)
Net Assets:				
Beginning of year	4,970,839	2,419,810	4,326,926	11,717,575
End of year	\$ 3,522,696	\$ 2,359,149	\$ 4,371,663	\$10,253,508

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
Revenues, Gains, and Other Support:				
Contributions	\$ 2,763,880	\$ 1,202,801	\$ -	\$ 3,966,681
Contributed food, materials, and services	3,851,726	-	-	3,851,726
Special events	72,546	31,588	-	104,134
Miscellaneous	46,482	-	-	46,482
Investment income	378,483	-	10,930	389,413
Change in beneficial interest in net assets 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>7,781,535</u>	<u>565,971</u>	<u>28,347</u>	<u>8,375,853</u>
Expenses:				
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	689,823	-	-	689,823
Total expenses	<u>7,588,308</u>	<u>-</u>	<u>-</u>	<u>7,588,308</u>
Write-off of donated inventory	66,754	-	-	66,754
Loss on impairment	-	-	-	-
Total expenses and losses	<u>7,655,062</u>	<u>-</u>	<u>-</u>	<u>7,655,062</u>
Change in Net Assets	126,473	565,971	28,347	720,791
Net Assets:				
Beginning of year	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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	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	\$ 594,621	\$ 291,641	\$ 180,795	\$ 69,852	\$ 122,578	\$ 71,982	\$ 1,331,469	\$ 228,879	\$ 231,088	\$ 1,791,436
Contributed services	2,485	-	-	-	79,907	31,176	113,568	-	-	113,568
Payroll taxes	43,489	21,850	13,529	5,281	9,179	5,418	98,746	17,323	18,368	134,437
Other human resources	773	1,602	1,476	445	305	1,474	6,075	4,144	4,146	14,365
Employee benefits	169,717	59,093	41,764	29,905	1,730	7,787	309,996	41,135	58,673	409,804
Total personnel and contributed services	811,085	374,186	237,564	105,483	213,699	117,837	1,859,854	291,481	312,275	2,463,610
Professional fees and services	20,327	715	1,430	220	110	759	23,561	47,613	13,563	84,737
Insurance	16,530	6,242	3,917	2,505	510	501	30,205	600	1,198	32,003
Utilities	81,200	35,844	21,082	7,465	16,737	15,695	178,023	1,443	732	180,198
Security	1,255	1,221	734	260	663	173	4,306	82	-	4,388
Repairs and maintenance	41,701	10,087	11,562	6,781	2,996	4,125	77,252	2,341	5,791	85,384
Auto and travel	12,116	5,975	17,202	18,695	-	8	53,996	75	1,065	55,136
Training	1,100	687	6,001	365	29	75	8,257	86	447	8,790
Food and beverage	32,964	8,939	5,493	1,756	144	114	49,410	1,296	1,307	52,013
Contributed food and materials	444,191	167,619	71,508	3,729,305	164	-	4,412,787	11,655	45	4,424,487
Cleaning	7,568	90	-	-	-	-	7,658	-	-	7,658
Supplies	11,795	5,120	4,459	1,525	96	210	23,205	1,822	4,506	29,533
Dues and publications	-	60	-	-	575	425	1,060	2,989	5,691	9,740
Postage and shipping	271	114	-	20	29	41	475	1,285	49,082	50,842
Appeals letters and promotion	115	25	50	-	-	-	190	30	106,237	106,457
Rent	26,677	-	-	13,200	-	-	39,877	28,231	12,100	80,208

(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, 2018

	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	21,661	5,131	2,927	160	2,547	21,591	54,017	-	-	54,017
Telephone	3,348	2,632	1,854	2,353	783	76	11,046	1,831	786	13,663
Interest	64,389	-	-	-	-	-	64,389	-	-	64,389
Meetings	-	5,745	83	-	-	-	5,828	-	-	5,828
Change in value of charitable gift annuity	-	-	-	-	-	-	-	-	31,193	31,193
Special events	-	-	-	-	-	-	-	-	85,980	85,980
Miscellaneous	20,627	1,478	25,099	110	96	890	48,300	8,154	19,925	76,379
Total expenses before depreciation	<u>1,618,920</u>	<u>631,910</u>	<u>410,965</u>	<u>3,890,203</u>	<u>239,178</u>	<u>162,520</u>	<u>6,953,696</u>	<u>401,014</u>	<u>651,923</u>	<u>8,006,633</u>
Depreciation and amortization	<u>276,855</u>	<u>13,826</u>	<u>21,841</u>	<u>11,507</u>	<u>2,220</u>	<u>15,573</u>	<u>341,822</u>	<u>4,116</u>	<u>-</u>	<u>345,938</u>
Total expenses	<u>\$ 1,895,775</u>	<u>\$ 645,736</u>	<u>\$ 432,806</u>	<u>\$ 3,901,710</u>	<u>\$ 241,398</u>	<u>\$ 178,093</u>	<u>\$ 7,295,518</u>	<u>\$ 405,130</u>	<u>\$ 651,923</u>	<u>\$ 8,352,571</u>

(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, 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
Total personnel and contributed services	796,417	387,024	231,181	117,839	249,893	128,115	1,910,469	298,931	328,993	2,538,393
Professional fees and services	47,084	9,205	825	740	330	55	58,239	62,067	21,088	141,394
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	3,153	3,275	902	324	-	-	7,654	275	90	8,019
Repairs and maintenance	47,754	14,809	7,977	4,371	3,687	6,089	84,687	4,987	5,275	94,949
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	3,148	3,068	3,595	217	291	21,211	3,028	1,606	25,845
Dues and publications	-	438	-	92	250	425	1,205	2,150	6,599	9,954
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	152	3,400	13,715	45,127	27	-	45,154
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
Special events	-	-	-	-	-	-	-	-	39,841	39,841
Miscellaneous	18,436	1,495	31,830	68	69	850	52,748	11,508	44,982	109,238
Total expenses before depreciation	<u>1,661,775</u>	<u>655,334</u>	<u>409,070</u>	<u>2,952,714</u>	<u>276,035</u>	<u>166,472</u>	<u>6,121,400</u>	<u>422,457</u>	<u>689,583</u>	<u>7,233,440</u>
Depreciation and amortization	276,944	16,353	24,915	11,626	14,460	3,274	347,572	7,056	240	354,868
Total expenses	<u>\$ 1,938,719</u>	<u>\$ 671,687</u>	<u>\$ 433,985</u>	<u>\$ 2,964,340</u>	<u>\$ 290,495</u>	<u>\$ 169,746</u>	<u>\$ 6,468,972</u>	<u>\$ 429,513</u>	<u>\$ 689,823</u>	<u>\$ 7,588,308</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (1,464,067)	\$ 720,791
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	345,938	354,868
Loss on impairment	1,365,796	-
Donated inventory	(24,458)	(55,352)
Write-off of donated inventory	114,784	66,754
Net realized and unrealized gain on investments	(140,072)	(286,055)
Change in beneficial interest in net assets of a community foundation	(1,724)	(2,416)
Change in beneficial interest in perpetual trusts	(6,253)	(15,001)
(Increase) decrease in:		
Receivables:		
Unconditional promises to give	81,000	280,729
Other	1,021	(501)
Prepaid expenses	(46,073)	(573)
Donated inventory	(64,777)	(156,400)
Increase (decrease) in:		
Accounts payable	7,548	3,186
Accrued expenses	(8,376)	(21,387)
Deferred revenue	(8,975)	14,500
Charitable gift annuity	18,154	8,483
Net cash and cash equivalents provided by operating activities	<u>169,466</u>	<u>911,626</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(125,202)	(119,183)
Proceeds from sale of investments	4,510,884	7,214,050
Purchase of investments	(4,208,693)	(6,541,460)
Net cash and cash equivalents provided by investing activities	<u>176,989</u>	<u>553,407</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Financing Activities:		
Repayment of principal on notes payable	<u>(157,864)</u>	<u>(202,798)</u>
Net cash and cash equivalents used in financing activities	<u>(157,864)</u>	<u>(202,798)</u>
Net Increase in Cash and Cash Equivalents	188,591	1,262,235
Cash and Cash Equivalents:		
Beginning of year	<u>1,707,774</u>	<u>445,539</u>
End of year	<u>\$ 1,896,365</u>	<u>\$ 1,707,774</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 64,389</u>	<u>\$ 52,716</u>
Cash paid during the year for taxes	<u>\$ 2,480</u>	<u>\$ 2,824</u>
		(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, 2018 AND 2017

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.

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.

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

BETHESDA MISSION OF HARRISBURG, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

equivalents. Cash and cash equivalents consist of checking and savings accounts at June 30, 2018 and 2017.

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.

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.

BETHESDA MISSION OF HARRISBURG, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 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

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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. 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.

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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:

- 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 \$173,331 and \$180,285 at June 30, 2018 and 2017, respectively.

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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 \$122,757 and \$104,603 at June 30, 2018 and 2017, 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, 2018 and 2017, the Mission's estimated beneficial interest in these perpetual trusts amounted to \$356,819 and \$350,566, respectively.

- **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, 2018 and 2017, the Mission's estimated beneficial interest in net assets of a community foundation was \$17,397 and \$15,673, 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

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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.

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.

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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, 2018 and 2017, 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, 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.

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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, 2018 and 2017, \$250,000 and \$250,000, 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 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

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to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2018-08, “*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*,” is effective for the Mission’s financial statements for the year ending June 30, 2020. This amendment provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions.

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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Temporarily restricted - capital fund - youth center	<u>\$ 18,000</u>	<u>\$ 99,000</u>

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4. Property and Equipment

Property and equipment at June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Land:		
Men's center	\$ 457,933	\$ 1,823,729
Women's center	9,326	9,326
Youth center	30,000	30,000
Construction in progress	220,074	118,143
Land improvements:		
Men's center	41,466	41,466
Leasehold improvements	32,126	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	6,060,140	6,042,755
Women's center	425,354	425,354
Youth center	224,921	224,921
Equipment:		
Vehicles	209,436	209,436
Office	52,911	397,872
Program	249,174	505,049
Burial plots	2,800	2,800
Total	8,337,619	10,179,049
Less: accumulated depreciation	<u>(3,232,695)</u>	<u>(3,487,595)</u>
Total property and equipment, net	<u>\$ 5,104,924</u>	<u>\$ 6,691,454</u>

The total depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$345,938 and \$354,868, respectively.

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During the year ended June 30, 2018, management recorded an impairment loss of \$1,365,796, due to learning about a zoning change that decreased the value of the parking lot attached to the Men's Center. Management determined the fair value of the parking lot based on an appraisal of the property.

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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, 2018:

	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market funds	1	\$ 140,072	\$ 140,072	\$ -
Common stock:				
Basic materials	1	23,535	17,994	5,541
Consumer discretionary	1	139,984	119,292	20,692
Consumer staples	1	52,411	48,417	3,994
Energy	1	47,522	35,424	12,098
Financials	1	137,299	115,832	21,467
Healthcare	1	101,013	108,994	(7,981)
Industrials	1	57,899	51,245	6,654
Information technology	1	202,556	130,635	71,921
Utilities	1	36,104	33,483	2,621
Telecom services	1	21,331	20,527	804
Equity mutual funds:				
Large cap funds	1	73,528	61,623	11,905
Small/mid cap	1	189,632	171,616	18,016
International developed	1	498,478	463,116	35,362
Emerging international	1	217,610	183,429	34,181
Fixed income mutual funds:				
Multi-sector	1	372,574	375,898	(3,324)
Mortgages/asset backed	1	238,269	246,459	(8,190)
Intermediate-term bond	1	50,962	52,094	(1,132)
International	1	264,687	270,492	(5,805)
Ultra Short Bond Fund	1	404,440	405,015	(575)
High yield	1	67,105	69,919	(2,814)
Alternative investments	1	5,624	5,859	(235)
Exchanged traded funds	1	24,924	24,020	904
Debt securities:				
Corporate bonds	2	634,693	647,035	(12,342)
U. S. Treasuries	1	449,523	447,895	1,628
		<u>\$ 4,451,775</u>	<u>\$ 4,246,385</u>	<u>\$ 205,390</u>
Beneficial interest in net assets of a community foundation	3	<u>\$ 17,397</u>		
Beneficial interest in perpetual trusts	3	<u>\$ 356,819</u>		

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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
		\$ 4,613,896	\$ 4,435,740	\$ 178,156
Beneficial interest in net assets of a community foundation	3	\$ 15,673		
Beneficial interest in perpetual trusts	3	\$ 350,566		

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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, 2018 and 2017:

	<u>Beneficial interest in perpetual trusts</u>	<u>Beneficial interest in net assets of a community foundation</u>
<u>June 30, 2018</u>		
Balance, beginning of year	\$ 350,566	\$ 15,673
Change in value	<u>6,253</u>	<u>1,724</u>
Balance, end of year	<u>\$ 356,819</u>	<u>\$ 17,397</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>\$ 350,566</u>	<u>\$ 15,673</u>

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Investment income consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 100,652	\$ 103,358
Net realized and unrealized gain on investments	<u>140,072</u>	<u>286,055</u>
Total investment income	<u>\$ 240,724</u>	<u>\$ 389,413</u>

For the years ended June 30, 2018 and 2017, investment income on the permanently restricted endowment funds of \$178,154 and \$303,024, 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 its beneficial interest in perpetual trusts as a percentage of the fair value of the trust assets

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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, 2018:

	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	\$ 3,930,415	\$ 350,566	\$ 15,673	\$ 4,326,926
Investment return:					
Change in value	-	36,760	-	-	36,760
Change in beneficial interest					
in perpetual trusts	-	-	6,253	-	6,253
Change in beneficial interest					
in net assets of a community foundation	-	-	-	1,724	1,724
End of year	<u>\$ 30,272</u>	<u>\$ 3,967,175</u>	<u>\$ 356,819</u>	<u>\$ 17,397</u>	<u>\$ 4,371,663</u>

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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>

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7. Notes Payable

Notes payable as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</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 (5.0% at June 30, 2018). On September 7, 2026, the remaining principal and interest will be due and payable in full.	\$ 521,588	\$ 577,573
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. All the Mission's real estate and improvements except the new Youth Center building is pledged as collateral for this loan.	<u>1,140,734</u>	<u>1,242,613</u>
Total notes payable	1,662,322	1,820,186
Less current maturities	<u>(157,883)</u>	<u>(194,578)</u>
Total notes payable, net of current maturities	<u>\$ 1,504,439</u>	<u>\$ 1,625,608</u>

Maturities of notes payable are as follows:

2019	\$	157,883
2020		163,921
2021		170,204
2022		176,741
2023		183,544
Thereafter		810,029
	<u>\$</u>	<u>1,662,322</u>

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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. Beginning June 1, 2015, payments are \$2,223 and the lease became a month-to-month lease.

The Mission leases space for its administrative operations. Beginning February 1, 2015, the Mission entered into a lease agreement through May 31, 2018. The lease requires monthly rent payments of \$3,180. Beginning June 1, 2018, monthly payments increased to \$3,275 through May 31, 2019.

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. Beginning January 1, 2016, the Mission entered into a 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. Beginning January 1, 2018, the Mission entered into a lease agreement through December 31, 2018. The lease requires monthly rent payments of \$1,100 and monthly payments of \$600 will be paid for utilities and will continue through the same date.

Total rent expense for the years ended June 30, 2018 and 2017 is \$80,208 and \$79,607, respectively. Remaining future minimum rental payments subsequent to June 30, 2018 are as follows:

2019	\$ 42,629
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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 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, 2018 and 2017 is \$0 and \$22,575, respectively.

BETHESDA MISSION OF HARRISBURG, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

10. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	2018	2017
Operations - men's center	\$ 10,261	\$ 107
Operations - women's center	32	3,071
Operations - youth center	23,133	37,133
Operations - medical/dental	80,000	80,000
Capital campaign - medical/dental clinic	36,092	43,096
Capital campaign - youth center	1,469,037	1,434,796
Capital campaign - women's shelter	711,246	766,553
Miscellaneous items (including food)	29,348	55,054
	<u>\$ 2,359,149</u>	<u>\$ 2,419,810</u>

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

	2018	2017
180 campaign	\$ 7,800	\$ 14,105
Operations - men's center	49,475	41,762
Operations - women's center	41,749	182,382
Operations - youth center	42,971	34,036
Operations - outreach	11,235	28,216
Operations - medical/dental clinic	16,538	80,129
Capital campaign - medical/dental clinic	7,004	686
Capital campaign - youth center	53,196	80,403
Capital Campaign - women's center	62,332	20,363
Miscellaneous items	173,022	186,336
	<u>\$ 465,322</u>	<u>\$ 668,418</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

BETHESDA MISSION OF HARRISBURG, INC.

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YEARS ENDED JUNE 30, 2018 AND 2017

for the years ended June 30, 2018 and 2017 is \$3,311,325 and \$2,639,183, 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, 2018 and 2017 is \$1,203,488 and \$1,064,888, 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.

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>2018</u>	<u>2017</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, 2018 and 2017 is \$113,568 and \$147,655, respectively.

12. Related Party Transactions

The Mission contracts with Armstrong Printery for printing materials. Armstrong Printery is owned by the Vice Chairman of the Mission's Board. For the years ended June 30, 2018 and 2017, respectively, the Mission purchased \$89,942 and \$94,886 in materials from Armstrong Printery. Fulton Bank provides loan and investment services to the Mission. The

BETHESDA MISSION OF HARRISBURG, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Treasurer of the Mission's Board is an employee of Fulton Bank. See Note 7 for information on the loan with Fulton Bank.

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, 2018 and 2017, amounts in excess of the FDIC limit totaled \$1,578,408 and \$1,352,033, 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, 2018, the Mission had entered into six contracts totaling \$5,636,028 for the planning and construction of the Youth Center and the Women's Shelter. At June 30, 2018, the commitment remaining on the contracts was \$5,460,511.