

**Bethesda Mission of Harrisburg,  
Inc.**

Financial Statements

Years Ended June 30, 2019 and 2018  
with Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

Pursuing the profession while promoting the public good®  
[www.md-cpas.com](http://www.md-cpas.com)

# BETHESDA MISSION OF HARRISBURG, INC.

YEARS ENDED JUNE 30, 2019 AND 2018

## TABLE OF CONTENTS

---

### **Independent Auditor's Report**

### **Financial Statements:**

Statements of Financial Position	1
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	9
Notes to Financial Statements	11

## 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, 2019 and 2018, 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, 2019 and 2018, 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.

## Change in Accounting Principle

As described in Note 2 to the financial statements, the Mission adopted ASU 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*," which requires not-for-profit entities to use the placed-in-service approach for contributions related to long-lived assets, changes how a nonprofit organization classifies net assets, and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity, among other requirements. Our opinion is not modified with respect to this matter.

*Maher Duessel*

Harrisburg, Pennsylvania  
November 21, 2019

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

<b>Assets</b>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 1,964,242	\$ 1,896,365
Receivables:		
Unconditional promises to give	136,334	18,000
Other	11,703	9,920
Prepaid expenses	73,155	68,077
Donated inventory	<u>447,118</u>	<u>422,713</u>
Total current assets	<u>2,632,552</u>	<u>2,415,075</u>
Noncurrent assets:		
Investments	1,765,564	1,029,793
Unconditional promises to give	88,333	-
Property and equipment, net	5,969,894	5,104,924
Beneficial interest in net assets of a community foundation	17,958	17,397
Beneficial interest in perpetual trusts	341,548	356,819
Endowment	<u>3,383,982</u>	<u>3,421,982</u>
<b>Total Assets</b>	<u><u>\$ 14,199,831</u></u>	<u><u>\$ 12,345,990</u></u>

(Continued)

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

<b>Liabilities and Net Assets</b>	<u>2019</u>	<u>2018</u>
<b>Liabilities:</b>		
Current liabilities:		
Current maturities of notes payable	\$ 163,921	\$ 157,883
Accounts payable	126,576	49,472
Accrued expenses	232,607	231,081
Deferred revenue	32,100	26,850
Total current liabilities	<u>555,204</u>	<u>465,286</u>
Noncurrent liabilities:		
Charitable gift annuity	106,604	122,757
Notes payable, net of current portion	1,347,787	1,504,439
Total Liabilities	<u>2,009,595</u>	<u>2,092,482</u>
<b>Net Assets:</b>		
Without donor restrictions - Undesignated	3,402,705	3,182,942
Without donor restrictions - Board-designated	317,963	112,369
Total without donor restrictions	3,720,668	3,295,311
With donor restrictions	8,469,568	6,958,197
Total Net Assets	<u>12,190,236</u>	<u>10,253,508</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 14,199,831</u></u>	<u><u>\$ 12,345,990</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Support:</b>			
Contributions	\$ 3,559,731	\$ 1,782,074	\$ 5,341,805
Contributed food, materials, and services	3,888,202	-	3,888,202
Special events	120,385	34,501	154,886
Miscellaneous	50,505	-	50,505
Investment return, net	270,401	11,953	282,354
Change in beneficial interest in net asset of a community foundation	-	562	562
Change in beneficial interest in perpetual trusts	-	(15,271)	(15,271)
Net assets released from donor restrictions	302,448	(302,448)	-
Total revenues, gains, and other support	<u>8,191,672</u>	<u>1,511,371</u>	<u>9,703,043</u>
<b>Expenses:</b>			
Program services:			
Men's center	1,941,188	-	1,941,188
Women's and children's center	642,861	-	642,861
Community center	447,863	-	447,863
Outreach	3,131,054	-	3,131,054
Medical clinic	239,653	-	239,653
Dental clinic	182,889	-	182,889
Total program services	<u>6,585,508</u>	<u>-</u>	<u>6,585,508</u>
Supporting services:			
Administrative and general	400,614	-	400,614
Fundraising	682,804	-	682,804
Total expenses	<u>7,668,926</u>	<u>-</u>	<u>7,668,926</u>
Write-off of donated inventory	97,389	-	97,389
Total expenses and losses	<u>7,766,315</u>	<u>-</u>	<u>7,766,315</u>
<b>Change in Net Assets</b>	425,357	1,511,371	1,936,728
<b>Net Assets:</b>			
Beginning of year	3,295,311	6,958,197	10,253,508
End of year	<u>\$ 3,720,668</u>	<u>\$ 8,469,568</u>	<u>\$ 12,190,236</u>

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

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Support:</b>			
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 return, net	203,964	36,760	240,724
Change in beneficial interest in net assets of a community foundation	-	1,724	1,724
Change in beneficial interest in perpetual trusts	-	6,253	6,253
Net assets released from donor restrictions	349,793	(349,793)	-
Total revenues, gains, and other support	8,269,479	99,605	8,369,084
<b>Expenses:</b>			
Program services:			
Men's center	1,895,775	-	1,895,775
Women's and children's center	645,736	-	645,736
Community 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
<b>Change in Net Assets</b>	(1,563,672)	99,605	(1,464,067)
<b>Net Assets:</b>			
Beginning of year - restated	4,858,983	6,858,592	11,717,575
End of year	\$ 3,295,311	\$ 6,958,197	\$ 10,253,508

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

# BETHESDA MISSION OF HARRISBURG, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Men's Center	Women's and Children's Center	Community Center	Outreach	Medical Clinic	Dental Clinic	Total Program Services	Administrative and General	Fundraising	Total
Salary	\$ 631,103	\$ 303,600	\$ 197,211	\$ 62,039	\$ 109,400	\$ 70,481	\$ 1,373,834	\$ 236,507	\$ 253,533	\$ 1,863,874
Contributed services	10,871	-	1,388	-	93,159	32,388	137,806	-	-	137,806
Payroll taxes	45,728	22,348	15,020	4,527	8,290	5,195	101,108	17,415	18,112	136,635
Other human resources	393	1,844	837	275	-	2,600	5,949	4,195	437	10,581
Employee benefits	181,982	62,783	35,828	23,072	1,804	8,895	314,364	41,427	87,292	443,083
<b>Total personnel and contributed services</b>	<b>870,077</b>	<b>390,575</b>	<b>250,284</b>	<b>89,913</b>	<b>212,653</b>	<b>119,559</b>	<b>1,933,061</b>	<b>299,544</b>	<b>359,374</b>	<b>2,591,979</b>
Professional fees and services	24,525	2,762	1,625	150	330	9,304	38,696	54,238	24,749	117,683
Insurance	12,008	8,577	5,490	3,431	858	858	31,222	1,029	2,058	34,309
Utilities	84,177	34,959	22,725	7,669	16,628	15,890	182,048	1,256	634	183,938
Security	142	833	1,652	380	24	-	3,031	549	275	3,855
Repairs and maintenance	64,249	13,160	5,070	8,177	1,230	1,230	93,116	2,351	5,964	101,431
Auto and travel	15,808	6,180	15,071	12,152	-	-	49,211	190	335	49,736
Training	200	1,221	2,400	-	240	-	4,061	238	550	4,849
Food and beverage	32,379	7,906	8,723	-	357	91	49,456	1,546	10	51,012
Contributed food and materials	407,309	149,669	81,980	2,979,946	-	-	3,618,904	3,582	-	3,622,486
Cleaning	6,334	194	-	-	-	-	6,528	163	-	6,691
Supplies	15,836	8,234	6,624	1,525	141	128	32,488	4,044	11,672	48,204
Dues and publications	200	40	15	95	200	486	1,036	3,865	4,066	8,967
Postage and shipping	275	55	-	-	30	-	360	-	42,190	42,550
Appeals letters and promotion	318	240	7,089	-	-	115	7,762	685	107,030	115,477
Rent	24,454	-	-	13,200	-	-	37,654	15,785	25,755	79,194

(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, 2019

	Men's Center	Women's and Children's Center	Community Center	Outreach	Medical Clinic	Dental Clinic	Total Program Services	Administrative and General	Fundraising	Total
Medical and aid	19,502	4,485	90	100	4,051	17,932	46,160	-	-	46,160
Telephone	3,649	3,065	2,097	2,820	484	484	12,599	1,832	784	15,215
Interest	60,621	-	-	-	-	-	60,621	-	-	60,621
Meetings	271	59	-	-	-	-	330	127	-	457
Change in value of charitable gift annuity	-	-	-	-	-	-	-	-	(22,236)	(22,236)
Special events	-	-	-	-	-	-	-	-	96,773	96,773
Miscellaneous	21,504	1,664	20,187	-	41	822	44,218	9,590	22,582	76,390
Total expenses before depreciation	<u>1,663,838</u>	<u>633,878</u>	<u>431,122</u>	<u>3,119,558</u>	<u>237,267</u>	<u>166,899</u>	<u>6,252,562</u>	<u>400,614</u>	<u>682,565</u>	<u>7,335,741</u>
Depreciation and amortization	<u>277,350</u>	<u>8,983</u>	<u>16,741</u>	<u>11,496</u>	<u>2,386</u>	<u>15,990</u>	<u>332,946</u>	<u>-</u>	<u>239</u>	<u>333,185</u>
Total expenses	<u>\$ 1,941,188</u>	<u>\$ 642,861</u>	<u>\$ 447,863</u>	<u>\$ 3,131,054</u>	<u>\$ 239,653</u>	<u>\$ 182,889</u>	<u>\$ 6,585,508</u>	<u>\$ 400,614</u>	<u>\$ 682,804</u>	<u>\$ 7,668,926</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, 2018

	Men's Center	Women's and Children's Center	Community 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
<b>Total personnel and contributed services</b>	<b>811,085</b>	<b>374,186</b>	<b>237,564</b>	<b>105,483</b>	<b>213,699</b>	<b>117,837</b>	<b>1,859,854</b>	<b>291,481</b>	<b>312,275</b>	<b>2,463,610</b>
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	Community 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	276,855	13,826	21,841	11,507	2,220	15,573	341,822	4,116	-	345,938
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.

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 1,936,728	\$ (1,464,067)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	333,185	345,938
Loss on impairment	-	1,365,796
Donated inventory	(765,993)	(24,458)
Write-off of donated inventory	97,389	114,784
Net realized and unrealized gain on investments	(164,805)	(140,072)
Change in beneficial interest in net assets of a community foundation	(561)	(1,724)
Change in beneficial interest in perpetual trusts	15,271	(6,253)
(Increase) decrease in:		
Receivables:		
Unconditional promises to give	(206,667)	81,000
Other	(1,783)	1,021
Prepaid expenses	(5,078)	(46,073)
Donated inventory	644,199	(64,777)
Increase (decrease) in:		
Accounts payable	77,104	7,548
Accrued expenses	1,526	(8,376)
Deferred revenue	5,250	(8,975)
Charitable gift annuity	(16,153)	18,154
Net cash and cash equivalents provided by operating activities	<u>1,949,612</u>	<u>169,466</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(1,198,155)	(125,202)
Proceeds from sale of investments	5,216,764	4,510,884
Purchase of investments	(5,749,730)	(4,208,693)
Net cash and cash equivalents provided by (used in) investing activities	<u>(1,731,121)</u>	<u>176,989</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Financing Activities:</b>		
Repayment of principal on notes payable	<u>(150,614)</u>	<u>(157,864)</u>
Net cash and cash equivalents used in financing activities	<u>(150,614)</u>	<u>(157,864)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	67,877	188,591
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>1,896,365</u>	<u>1,707,774</u>
End of year	<u>\$ 1,964,242</u>	<u>\$ 1,896,365</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 60,621</u>	<u>\$ 64,389</u>
Cash paid during the year for taxes	<u>\$ 2,972</u>	<u>\$ 2,480</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, 2019 AND 2018

---

### 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 two classes of net assets. Accordingly, net assets of the Mission and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions include Board-designated net assets that are subject to Board of Directors (Board) stipulations and designated for future contingencies.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Mission or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that funds be maintained in perpetuity.

#### 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 2019 and 2018.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

### 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 net assets without donor restrictions unless their use is 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.

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,

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

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 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

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

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. The Mission considers all promises to give to be fully collectible. Accordingly, no allowance for doubtful accounts is reported.

### Donated Inventory

Donated inventory is measured at fair value at the time of receipt. At June 30, 2019, the Mission had \$330,299 of food and \$116,819 of materials recorded in inventory. At June 30, 2018, the Mission had \$324,965 of food and \$97,748 of materials recorded in inventory.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

### Property and Equipment

Property and equipment are recorded at cost or fair value (if donated), less accumulated depreciation. Donated assets are reported as contributions without donor restrictions 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 gift revenue without donor restrictions 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 \$189,453 and \$173,331 at June 30, 2019 and 2018, respectively.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

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 \$106,604 and \$122,757 at June 30, 2019 and 2018, 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, 2019 and 2018, the Mission's estimated beneficial interest in these perpetual trusts amounted to \$341,548 and \$356,819, 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, 2019 and 2018, the Mission's estimated beneficial interest in net assets of a community foundation was \$17,958 and \$17,397, respectively.

### Contributions

Contributions received are recorded as with donor restrictions or without donor restrictions. This requirement is dependent on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

with donor restrictions are reclassified to net assets without donor restrictions 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.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

### 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, 2019 and 2018, 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 endowment assets without donor restrictions 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.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

### *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, 2019 and 2018, \$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.

### Adoption of Accounting Standard

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) was adopted during the year ended June 30, 2019:

ASU-2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* 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. As a result of adopting ASU-2016-14, the Association's net assets have been restated as of July 1, 2017. \$111,856 was added to net assets without donor restrictions to reflect the placed-in-service approach for long-lived assets.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

The table below shows the transfers between net asset classifications from three net asset classes to two as a result of the adoption.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>
Beginning net assets, before adoption	\$ 4,970,839	\$ 2,419,810	\$ 4,326,926	\$ -	\$ -
Transfers between classes as a result of adoption	<u>(4,970,839)</u>	<u>(2,419,810)</u>	<u>(4,326,926)</u>	<u>6,858,592</u>	<u>4,858,983</u>
Beginning net assets, as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,858,592</u>	<u>\$ 4,858,983</u>

### Pending Accounting Standards Updates

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.

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.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

### 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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
With donor restrictions - capital fund - youth center:		
Amounts due in less than one year	\$ 136,334	\$ 18,000
Amounts due in one to five years	88,333	-
	<u>\$ 224,667</u>	<u>\$ 18,000</u>

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

### 4. Property and Equipment

Property and equipment at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Land:		
Men's center	\$ 457,933	\$ 457,933
Women's center	9,326	9,326
Youth center	30,000	30,000
Construction in progress	1,323,244	220,074
Land improvements:		
Men's center	41,466	41,466
Leasehold improvements	37,365	32,126
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	6,127,156	6,060,140
Women's center	425,354	425,354
Youth center	224,921	224,921
Equipment:		
Vehicles	209,436	209,436
Office	75,640	52,911
Program	249,174	249,174
Burial plots	<u>2,800</u>	<u>2,800</u>
Total	9,535,773	8,337,619
Less: accumulated depreciation	<u>(3,565,879)</u>	<u>(3,232,695)</u>
Total property and equipment, net	<u>\$ 5,969,894</u>	<u>\$ 5,104,924</u>

The total depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$333,185 and \$345,938, respectively.

# **BETHESDA MISSION OF HARRISBURG, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2019 AND 2018**

---

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.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

### 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, 2019:

	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market funds	1	\$ 198,799	\$ 198,418	\$ 381
Common stock:				
Basic materials	1	10,901	7,326	3,575
Consumer discretionary	1	56,322	47,687	8,635
Consumer staples	1	31,940	28,799	3,141
Energy	1	19,473	21,052	(1,579)
Financials	1	61,725	54,432	7,293
Healthcare	1	49,865	48,781	1,084
Industrials	1	27,070	17,845	9,225
Information technology	1	109,317	83,036	26,281
Utilities	1	18,538	15,464	3,074
Telecom services	1	10,112	8,558	1,554
Equity mutual funds:				
Large cap funds	1	691,071	636,087	54,984
Small/mid cap	1	291,984	266,071	25,913
International developed	1	479,479	438,588	40,891
Emerging international	1	178,443	157,467	20,976
Fixed income mutual funds:				
Multi-sector	1	573,660	572,102	1,558
Mortgages/asset backed	1	258,368	263,974	(5,606)
Certificate of deposit	1	402,157	400,043	2,114
Intermediate-term bond	1	50,017	49,190	827
International	1	279,165	271,008	8,157
Ultra Short Bond Fund	1	471,984	470,045	1,939
High yield	1	149,964	150,517	(553)
Alternative investments	1	15,977	16,122	(145)
Exchanged traded funds	1	21,206	19,941	1,265
Debt securities:				
Corporate bonds	2	272,872	264,280	8,592
U. S. Treasuries	1	419,137	411,217	7,920
		<u>\$ 5,149,546</u>	<u>\$ 4,918,050</u>	<u>\$ 231,496</u>
Beneficial interest in net assets of a community foundation	3	<u>\$ 17,958</u>		
Beneficial interest in perpetual trusts	3	<u>\$ 341,548</u>		

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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)
Exchange 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
		\$ 4,451,775	\$ 4,246,385	\$ 205,390
Beneficial interest in net assets of a community foundation	3	\$ 17,397		
Beneficial interest in perpetual trusts	3	\$ 356,819		

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

### 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, 2019 and 2018:

	<u>Beneficial interest in perpetual trusts</u>	<u>Beneficial interest in net assets of a community foundation</u>
<u>June 30, 2019</u>		
Balance, beginning of year	\$ 356,819	\$ 17,397
Change in value	<u>(15,271)</u>	<u>561</u>
Balance, end of year	<u>\$ 341,548</u>	<u>\$ 17,958</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>

---

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

Investment income consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 122,340	\$ 100,652
Net realized and unrealized gain on investments	<u>160,014</u>	<u>140,072</u>
Total investment income	<u>\$ 282,354</u>	<u>\$ 240,724</u>

For the years ended June 30, 2019 and 2018, investment income on the endowment funds with donor restrictions of \$222,084 and \$178,154, respectively, was recorded in net assets without donor restrictions.

## 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 net assets with donor restrictions (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 net assets with donor restrictions is classified as net assets without donor restrictions 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

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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 net assets with donor restrictions.

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

The Mission's endowment net assets have the following activity for the year ended June 30, 2019:

	With Donor Restrictions				
	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	\$ 3,967,175	\$ 356,819	\$ 17,397	\$ 4,371,663
Investment return:					
Change in value	-	11,953	-	-	11,953
Change in beneficial interest					
in perpetual trusts	-	-	(15,271)	-	(15,271)
Change in beneficial interest					
in net assets of a community foundation	-	-	-	561	561
End of year	<u>\$ 30,272</u>	<u>\$ 3,979,128</u>	<u>\$ 341,548</u>	<u>\$ 17,958</u>	<u>\$ 4,368,906</u>

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

The Mission's endowment net assets have the following activity for the year ended 2018:

	With Donor Restrictions				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>

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

### 7. Notes Payable

Notes payable as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</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.	\$ 475,688	\$ 521,588
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 \$34,834 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>1,036,020</u>	<u>1,140,734</u>
Total notes payable	1,511,708	1,662,322
Less current maturities	<u>(163,921)</u>	<u>(157,883)</u>
Total notes payable, net of current maturities	<u><u>\$1,347,787</u></u>	<u><u>\$1,504,439</u></u>

Maturities of notes payable are as follows:

2020	\$ 163,921
2021	170,204
2022	176,741
2023	183,544
2024	190,624
Thereafter	<u>626,674</u>
	<u><u>\$ 1,511,708</u></u>

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

### 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 June 1, 2018, the Mission entered into a lease agreement through May 31, 2019. The lease requires monthly rent payments of \$3,275. Beginning June 1, 2019, monthly payments increased to \$3,374 through May 31, 2020.

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, 2019, the Mission entered into a lease agreement through December 31, 2019. 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, 2019 and 2018 is \$79,194 and \$80,208, respectively. Remaining future minimum rental payments subsequent to June 30, 2019 are as follows:

2020	\$ 53,278
2021	6,176
2022	6,003
2023	6,003
2024	6,004
2025	<u>500</u>
	<u>\$ 77,964</u>

### 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,

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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.

### 10. Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Operations - men's center	\$ 390	\$ 10,261
Operations - women's center	-	32
Operations - community center	19,921	23,133
Operations - medical/dental	80,000	80,000
Capital campaign - medical/dental clinic	36,092	36,092
Capital campaign - community center	2,208,592	1,469,037
Capital campaign - women's shelter	1,744,649	711,246
Miscellaneous items (including food)	11,018	29,348
	<u>\$ 4,100,662</u>	<u>\$ 2,359,149</u>

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

	2019	2018
180 campaign	\$ -	\$ 7,800
Operations - men's center	99,632	49,475
Operations - women's center	57,241	41,749
Operations - community center	32,807	42,971
Operations - outreach	2,525	11,235
Operations - medical/dental clinic	37,697	16,538
Capital campaign - medical/dental clinic	-	7,004
Capital campaign - community center	-	53,196
Capital Campaign - women's center	-	62,332
Miscellaneous items	72,546	173,022
	<u>\$ 302,448</u>	<u>\$ 465,322</u>

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

### 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, 2019 and 2018 is \$2,784,900 and \$3,311,325, 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, 2019 and 2018 is \$963,920 and \$1,203,488, 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>2019</u>	<u>2018</u>
Attending physician	\$ 89	\$ 89
Resident physician	80	19
Registered nurse	35	31
Medical student	18	21
Physical therapist	42	29
Dentists	73	71
Dental student	18	17
Hygienists	35	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, 2019 and 2018 is \$139,382 and \$113,568, respectively.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

### **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, 2019 and 2018, respectively, the Mission purchased \$30,937 and \$89,942 in materials from Armstrong Printery. The Mission paid \$333,662 in medical insurance premiums to Capital Blue Cross in 2019. One of the Mission's board members is an attorney for at Capital Blue Cross. 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.

### **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, 2019 and 2018, amounts in excess of the FDIC limit totaled \$1,570,444 and \$1,578,408, 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, 2019, the Mission had entered into six contracts totaling \$5,715,528 for the planning and construction of the Community Center and the Women's Shelter. At June 30, 2019, the commitment remaining on the contracts was \$4,522,278. \$81,090 was included in accounts payable at June 30, 2019.

# BETHESDA MISSION OF HARRISBURG, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

---

### 15. Liquidity and Availability

The following table reflects the Mission's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions.

<b>Financial Assets</b>	
Cash and cash equivalents	\$ 1,964,242
Unconditional promises to give	224,667
Other receivables	11,703
Investments	1,765,564
Beneficial interest in net assets of a community foundation	17,958
Beneficial interest in perpetual trusts	341,548
Endowment	3,383,982
	<hr/>
	7,709,664
Net assets with donor restrictions:	
Restricted in perpetuity	(3,743,488)
Investments - charitable gift annuities	(189,453)
Investments - women's shelter	(500,000)
Guest savings	(3,106)
Capital campaign - community center	(1,001,281)
Capital campaign - women's shelter	(105,775)
	<hr/>
	(5,543,103)
	<hr/>
	\$ 2,166,561

The organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.