

**Helping Up Mission, Inc.
and Subsidiaries**

**Audited Consolidated
Financial Statements**

June 30, 2010 and 2009

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McLean, Koehler, Sparks & Hammond

Certified Public Accountants/Business Consultants

Independent Auditor's Report

Board of Directors
Helping Up Mission, Inc. and Subsidiaries
Baltimore, Maryland

We have audited the accompanying consolidated statements of financial position of Helping Up Mission, Inc. and Subsidiaries (House of Freedom, Inc. and New Creations Staffing Solutions, Inc.) as of June 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Helping Up Mission, Inc. and Subsidiaries as of June 30, 2010 and 2009, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McLean, Koehler, Sparks & Hammond

October 19, 2010

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Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Financial Position

June 30,	<u>2010</u>	<u>2009</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,831,673	\$ 1,179,092
Restricted cash	-	24,675
Accounts receivable	218,269	167,204
Grants receivable	-	377,000
Capital campaign pledges receivable	218,167	285,834
Prepaid expenses and other current assets	<u>22,351</u>	<u>61,103</u>
Total current assets	<u>2,290,460</u>	<u>2,094,908</u>
Property and Equipment:		
Land	400,500	400,500
Buildings and improvements	13,869,376	8,446,011
Furniture and equipment	726,986	607,812
Vehicles	177,789	177,789
Construction in progress	<u>65,712</u>	<u>1,271,417</u>
Total	15,240,363	10,903,529
Less accumulated depreciation	<u>1,635,919</u>	<u>1,289,577</u>
Net property and equipment	<u>13,604,444</u>	<u>9,613,952</u>
Other Assets:		
Investments	646,904	564,697
Capital campaign pledges receivable - noncurrent	373,828	403,388
Loan costs - net of accumulated amortization of \$34,447 - 2010 and \$26,136 - 2009	<u>24,204</u>	<u>2,877</u>
Total other assets	<u>1,044,936</u>	<u>970,962</u>
Total Assets	<u>\$ 16,939,840</u>	<u>\$ 12,679,822</u>

	<u>2010</u>	<u>2009</u>
Liabilities and Net Assets		
Current Liabilities:		
Current maturities of long-term debt	\$ 78,634	\$ 1,439,722
Accounts payable	238,192	365,245
Accrued expenses and other current liabilities	127,600	143,439
Deferred grant revenue	5,000	5,000
Current portion of capital leases payable	-	734
Current maturities of annuities payable	5,919	5,580
Total current liabilities	<u>455,345</u>	<u>1,959,720</u>
Long-Term Liabilities:		
Long-term debt	4,336,763	239,753
Annuities payable	35,281	41,200
Total long-term liabilities	<u>4,372,044</u>	<u>280,953</u>
Total liabilities	<u>4,827,389</u>	<u>2,240,673</u>
Net Assets:		
Unrestricted	12,102,810	10,173,416
Temporarily restricted	9,641	265,733
Total net assets	<u>12,112,451</u>	<u>10,439,149</u>
Total Liabilities and Net Assets	<u>\$ 16,939,840</u>	<u>\$ 12,679,822</u>

The notes to consolidated financial statements are an integral part of these statements.

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Activities

For the years ended June 30,	<u>2010</u>	<u>2009</u>
Unrestricted Net Assets		
Support and Revenue		
Support:		
Contributions and gifts	\$ 2,732,599	\$ 3,020,329
In-kind donations	<u>2,046,035</u>	<u>1,490,992</u>
Total support	<u>4,778,634</u>	<u>4,511,321</u>
Revenue:		
Program fees	1,464,040	1,526,476
Placement service fees, net of direct salaries and related expenses	101,944	67,482
Other income	<u>6,439</u>	<u>9,855</u>
Total revenue	<u>1,572,423</u>	<u>1,603,813</u>
 Total support and revenue	 <u>6,351,057</u>	 <u>6,115,134</u>
Functional Expenses:		
Program services	4,897,175	4,473,896
Administrative and general	474,028	507,263
Fundraising	<u>904,682</u>	<u>958,374</u>
Total functional expenses	<u>6,275,885</u>	<u>5,939,533</u>
 Increase in net assets from operations	 75,172	 175,601
Non-operating support - investment income (loss)	83,765	(403,361)
 Reclassification of net assets	-	13,662
Unrestricted net assets from new consolidated entity, beginning balance	-	183,141
Net assets released from restriction	<u>1,770,457</u>	<u>1,175,353</u>
 Increase in unrestricted net assets	 <u>1,929,394</u>	 <u>1,144,396</u>
 Temporarily Restricted Net Assets		
Contributions, pledges and grants	1,514,365	1,076,302
Reclassification of net assets	-	(13,662)
Net assets released from restrictions	<u>(1,770,457)</u>	<u>(1,175,353)</u>
 Decrease in temporarily restricted net assets	 <u>(256,092)</u>	 <u>(112,713)</u>
 Increase in total net assets	 1,673,302	 1,031,683
Net assets, beginning of year	<u>10,439,149</u>	<u>9,407,466</u>
 Net assets, end of year	 <u>\$ 12,112,451</u>	 <u>\$ 10,439,149</u>

The notes to consolidated financial statements are an integral part of these statements.

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses

For the year ended June 30, 2010 (with comparative totals for 2009)

	Program	Administrative	Fundraising	Total	
	Services	and General		2010	2009
Amortization	\$ -	\$ 8,311	\$ -	\$ 8,311	\$ 5,808
Annuity interest	-	2,746	-	2,746	3,064
Bad debt	-	6,382	-	6,382	2,892
Bank charges	-	37,871	-	37,871	31,211
Banquet	119,130	-	-	119,130	98,884
Camps	82,125	-	-	82,125	25,201
Conference, seminars and meetings	965	12,644	5,984	19,593	15,213
Cultivation and acquisition	114,058	-	525,393	639,451	708,894
Depreciation	342,848	40,335	20,168	403,351	387,638
Educational	11,200	3,411	-	14,611	21,108
Equipment lease and maintenance	45,583	6,023	27,353	78,959	67,249
Food purchases	99,834	-	-	99,834	98,997
Insurance	76,035	32,586	-	108,621	115,937
Interest	73,735	11,518	31,133	116,385	95,751
Memberships and subscriptions	-	1,379	1,956	3,335	5,680
Loss on disposal of equipment	115,302	12,811	-	128,113	41,888
Permits, licenses and taxes	2,659	-	-	2,659	1,761
Printing, postage and shipping	500	2,335	5,507	8,342	8,269
Professional and contractual services	71,541	46,705	5,040	123,286	149,961
Public awareness	61,424	-	605	62,029	98,692
Publications	1,601	-	-	1,601	926
Recruiting and background checks	-	-	-	-	176
Rent	44,400	-	-	44,400	21,155
Repairs and maintenance - building	58,028	7,425	-	65,453	79,137
Residents' allowance and assistance	11,858	-	-	11,858	17,905
Salaries and related expenses	1,174,541	204,095	247,680	1,626,316	1,829,032
Specific assistance	360	-	-	360	50
Special events	2,731	-	6,164	8,895	8,619
Supplies	100,751	10,713	1,419	112,883	127,131
Telephone	23,024	7,547	2,992	33,563	53,188
Travel and entertainment	485	5,074	863	6,422	8,919
Utilities	190,925	10,908	22,426	224,259	273,098
Vehicles	25,497	3,209	-	28,706	49,107
	<u>2,851,140</u>	<u>474,028</u>	<u>904,682</u>	<u>4,229,850</u>	<u>4,452,541</u>
Non-cash distributions:					
Donated merchandise distribution	448,123	-	-	448,123	323,034
Donated professional services distribution	389,063	-	-	389,063	291,796
Donated food distribution	1,208,849	-	-	1,208,849	872,162
Total functional expenses	<u>\$ 4,897,175</u>	<u>\$ 474,028</u>	<u>\$ 904,682</u>	<u>\$6,275,885</u>	<u>\$5,939,533</u>

The notes to consolidated financial statements are an integral part of these statements.

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses

For the year ended June 30, 2009

	Program Services	Administrative and General	Fundraising	2009
Amortization	\$ -	\$ 5,808	\$ -	\$ 5,808
Annuity interest	-	3,064	-	3,064
Bad debt	-	2,892	-	2,892
Bank charges	-	31,211	-	31,211
Banquet	98,884	-	-	98,884
Camps	25,201	-	-	25,201
Conference, seminars and meetings	1,083	5,227	8,903	15,213
Cultivation and acquisition	163,309	-	545,585	708,894
Depreciation	329,492	38,764	19,382	387,638
Educational	17,132	3,976	-	21,108
Equipment lease and maintenance	42,605	6,655	17,989	67,249
Food purchases	98,997	-	-	98,997
Insurance	81,156	34,781	-	115,937
Interest	82,535	8,956	4,260	95,751
Memberships and subscriptions	4,214	856	610	5,680
Loss on disposal of equipment	-	41,888	-	41,888
Permits, licenses and taxes	1,711	50	-	1,761
Printing, postage and shipping	2,658	2,971	2,640	8,269
Professional and contractual services	75,631	33,464	40,866	149,961
Public awareness	98,692	-	-	98,692
Publications	359	112	455	926
Recruiting and background checks	-	176	-	176
Rent	21,155	-	-	21,155
Repairs and maintenance - building	79,137	-	-	79,137
Residents' allowance and assistance	17,905	-	-	17,905
Salaries and related expenses	1,302,066	244,209	282,757	1,829,032
Specific assistance	50	-	-	50
Special events	2,305	191	6,123	8,619
Supplies	117,836	3,961	5,334	127,131
Telephone	41,046	6,906	5,236	53,188
Travel and entertainment	743	3,597	4,579	8,919
Utilities	232,135	27,308	13,655	273,098
Vehicles	48,867	240	-	49,107
	<u>2,986,904</u>	<u>507,263</u>	<u>958,374</u>	<u>4,452,541</u>
Non-cash distributions:				
Donated merchandise distribution	323,034	-	-	323,034
Donated professional services distribut	291,796	-	-	291,796
Donated food distribution	872,162	-	-	872,162
Total functional expenses	<u>\$4,473,896</u>	<u>\$ 507,263</u>	<u>\$ 958,374</u>	<u>\$5,939,533</u>

The notes to consolidated financial statements are an integral part of these statements.

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended June 30,	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,673,302	\$ 1,031,683
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization	8,311	5,808
Bad debt	6,382	2,892
Depreciation	403,351	387,638
Loss on disposal of property and equipment	128,113	41,888
Unrealized (gain) loss on investments	(72,169)	82,032
(Gain) loss on sale of investments	(564)	351,144
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(57,447)	(110,719)
Grants receivable	377,000	(367,000)
Capital campaign pledges receivable	97,227	25,357
Prepaid expenses and other current assets	38,752	(4,753)
Deposits	-	25,000
(Decrease) increase in:		
Accounts payable	(55,590)	47,832
Accrued expenses and other current liabilities	(15,839)	52,643
Deferred grant revenue	-	5,000
Net cash provided by operating activities	<u>2,530,829</u>	<u>1,576,445</u>
Cash flows from investing activities:		
Purchase of investments	(42,483)	(68,897)
Proceeds from sale of investments	33,009	349,119
Purchase of property and equipment	(4,593,419)	(914,858)
Net cash used in investing activities	<u>(4,602,893)</u>	<u>(634,636)</u>
Cash flows from financing activities:		
Proceeds received from long-term debt	4,000,000	-
Repayments - long-term debt	(1,264,078)	(68,525)
Repayments - capital leases	(734)	(4,138)
Loan acquisition costs paid	(29,638)	-
Payments on annuities payable	(5,580)	(5,261)
Net cash provided by (used in) financing activities	<u>2,699,970</u>	<u>(77,924)</u>
Net increase in cash and cash equivalents	627,906	863,885
Cash and cash equivalents, beginning of year	<u>1,203,767</u>	<u>339,882</u>
Cash and cash equivalents, end of year	<u>\$ 1,831,673</u>	<u>\$ 1,203,767</u>

The notes to consolidated financial statements are an integral part of these statements.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

1. Nature of the Organizations and Summary of Significant Accounting Policies

Nature of the Organizations

Helping Up Mission, Inc. is a non-profit organization whose purpose is to educate and engage the public in providing help for the homeless through programs designed to meet unique physical, psychological, social and spiritual needs. The Organization operates primarily on funds received from the general public and program fees.

House of Freedom, Inc. is a non-profit organization whose purpose is to continue the work of the Helping Up Mission, Inc. by providing transitional housing, training, counseling, and other assistance to men who do not have permanent housing and are victims of substance abuse or the ill-effects of society in general in order to prepare them to become responsible and useful members of the community and society. The Organization operates primarily on funds received from program fees.

New Creations Staffing Solutions, Inc. is a non-profit organization whose purpose is to continue the work of Helping Up Mission, Inc. by providing mentoring, hiring, job placement and career counseling, without limitation to race, color, or creed, in order to prepare participants in the program to become responsible and useful members of the community and society. The Organization operates primarily on funds received from placement fees.

Principles of Consolidation

The consolidated financial statements of Helping Up Mission, Inc. and Subsidiaries include the accounts of Helping Up Mission, Inc., House of Freedom, Inc., and New Creations Staffing Solutions, Inc., hereinafter collectively referred to as “the Organizations”. The Organizations are governed by the same Board of Directors. All material inter-organization transactions and balances have been eliminated in consolidation. New Creations Staffing Solutions, Inc. was a new consolidated entity in 2009 based on common control of the Organization. Net assets of \$183,141 were added to “Unrestricted Net Assets” in the Consolidated Statements of Activities for the net assets of New Creations Staffing Solutions at the beginning of the year ended June 30, 2009.

Basis of Presentation

The consolidated financial statements of the Organizations have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

The Organizations are required to report information regarding their financial positions and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

1. Nature of the Organizations and Summary of Significant Accounting Policies (continued)

Unrestricted net assets – Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These assets are currently available to support the Organizations' operations.

Temporarily restricted net assets – Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organizations pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. As of June 30, 2010 and 2009, the Organizations had temporarily restricted net assets totaling \$9,641 and \$265,733, respectively.

Permanently restricted net assets – Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organizations' actions. As of June 30, 2010 and 2009, the Organizations had no permanently restricted net assets.

Cash and Cash Equivalents

The Organizations consider all short-term investments with an original maturity of three months or less to be a cash equivalent.

The Organizations, at times throughout the year, have (or may have had) funds on deposit with a financial institution in excess of federally insured amounts. The Organizations have not experienced any losses on cash accounts and believe they are not exposed to significant credit risk on cash. Total cash and cash equivalents that were not covered by Federal Deposit Insurance Corporation insurance at June 30, 2010 and 2009 was \$1,429,263 and \$467,355, respectively.

Restricted Cash

At June 30, 2010 and 2009, restricted cash totaling \$-0- and \$24,675, respectively, was held by the Organization. Restricted cash represents stock donations for the Organization's Capital Campaign that were liquidated upon receipt.

Accounts Receivable, Credit Policies and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized obligations due for program fees related to overnight boarding and transportation services provided to Johns Hopkins Hospital and service fees related to staffing graduates of the program. Payment is required within 30 days from the invoice date. Follow-up correspondence is made if unpaid accounts receivable go beyond 30 days. Statements for unpaid balances are not generated and delinquency fees are not assessed. Payments of accounts receivable are applied to the specific invoices identified on the remittance advice or, if unspecified, are applied to the oldest unpaid invoices.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

1. Nature of the Organizations and Summary of Significant Accounting Policies (continued)

Accounts Receivable, Credit Policies and Allowance for Doubtful Accounts (continued)

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflects management's best estimate of the amounts that may not be collected. Management individually reviews all accounts receivable balances that exceed the due date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that may not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. The Organizations have established an allowance for doubtful accounts of \$6,382 and \$-0- at June 30, 2010 and 2009, respectively. Bad debt expense for the years ended June 30, 2010 and 2009 was \$6,382 and \$2,892, respectively.

Financial Risk

The Organizations invest in a portfolio that contains mutual funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Fair Value Measurements

The Organizations have characterized its investments in securities and long-term capital campaign pledges based on the priority of inputs using the three-level fair value hierarchy in accordance with the provisions under generally accepted accounting principles. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investments. Marketable securities and long-term capital campaign pledges recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

Level 1- These are assets where values are based on unadjusted quoted prices for identical assets in the active market the Organizations have the ability to access. All mutual funds currently held by the Organization are considered to be level 1.

Level 2- These are assets where values are based upon quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. The Organizations currently have no level 2 assets.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

1. Nature of the Organizations and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 3- These are assets where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. The Organizations consider the long-term capital campaign pledges receivable to be level 3 assets.

Estimated fair value amounts have been determined using available market information and the valuation methodologies described below. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts the Organizations could realize in a current market. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying amounts of current receivables approximate fair value due to the short-term nature of these assets. The fair value for capital campaign pledges receivable is determined by calculating the present value of estimated future cash flows, using a 5.25% discount rate. The discount rate is determined by reference to the Organizations' borrowing rate and the Federal Rate in effect during the year.

Investments

Investment securities are carried at fair value based on quoted market prices. The change in net unrealized appreciation (depreciation) of marketable securities for the year is reflected in the Statements of Activities in "investment income (loss)." Realized gains and losses on sales of investments are computed on a specific identification basis and are recorded on the trade date of the transaction and are also included in "investment income (loss)."

Property and Equipment and Depreciation

Property and equipment are stated at cost if purchased, or fair market value if obtained through donation. The Organizations capitalize expenditures greater than or equal to \$1,000 that qualify as property and equipment. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	15 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 5 years

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

1. Nature of the Organizations and Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation (continued)

Depreciation expense was \$403,351 and \$387,638 for the years ended June 30, 2010 and 2009, respectively.

Intangible Assets

An intangible asset with a finite useful life is amortized based on its useful life to the reporting entity. An intangible asset with an indefinite useful life is not amortized; instead it is tested for impairment annually.

The Organizations' intangible assets consist of loan costs of \$58,651 and \$29,013 at June 30, 2010 and 2009 that are being amortized over the life of the related loan(s) (60 months) starting in 2010 and 2005, respectively, using the straight-line method. Amortization expense relating to these loan costs totaled \$8,311 and \$5,808 for the years ended June 30, 2010 and 2009, respectively. Amortization expense is expected to be \$5,928 for each of the years ended June 30, 2011-2014 and \$492 for the year ended June 30, 2015.

Restricted and Unrestricted Revenue

Contributions, pledges and grants are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organizations report contributions of cash and other assets (including grants) as restricted support if they are received with donor stipulations that limit the time period or manner of use of the contribution. These donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as "net assets released from restrictions".

Donated Materials and Services

In-kind donations consist of donated food, supplies, merchandise and professional services. These donations are recorded at their estimated fair value at the date of receipt. Donated food distribution and professional service distribution equal the value of the donations. These expenses are recorded at the date of receipt due to the rapid turnover of donated items.

Donated merchandise distribution does not equal the value of the donation due to a donation of a vehicle during the year ended June 30, 2009 valued at \$4,000, which was capitalized and is reported in "vehicles" on the Consolidated Statements of Financial Position.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

1. Nature of the Organizations and Summary of Significant Accounting Policies (continued)

Donated Materials and Services (continued)

Members of the Board of Directors and others have made significant contributions of their time and talents in development of the programs and fundraising operations of the Organizations. These services include medical care, counseling, education, legal and income tax preparation.

Income Taxes

The Organizations are exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in these financial statements.

The Organization was required to implement the new accounting guidance for "uncertainty in income taxes" on January 1, 2009. There was no cumulative effect adjustment required as a result of implementation. This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organizations' tax returns to determine whether any tax positions taken would "more-likely-than-not" be sustained by the applicable taxing authority. Tax years subject to inspection include 2007, 2008, and 2009. Tax positions deemed not to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. The Organizations have adopted a policy under which, if required to be recognized in the future, it will classify interest related to the underpayment of income taxes as a component of interest expense, and it will classify any related penalties in administrative and general expenses in the Consolidated Statements of Activities. The Organizations believe the tax filing positions will be sustained upon examination.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

2. Grants Receivable

Grants receivable consist of the following at June 30:	<u>2010</u>	<u>2009</u>
The Second Presbyterian Church	\$ -	\$ 2,000
The Harry and Jeanette Weinberg Foundation	-	375,000
Total	<u>\$ -</u>	<u>\$ 377,000</u>

These amounts represent payments due from grantors under various agreements, which have been granted but not yet received as of the statement of financial position date. These amounts are considered fully collectible at June 30, 2009 and accordingly, no allowance for doubtful accounts is required.

The grant from The Harry and Jeanette Weinberg Foundation for \$375,000 is the first installment out of a possible four equal installments once the Organizations satisfy certain conditions. See Note 14 for an explanation of the conditions.

3. Capital Campaign Pledges Receivable

The Organizations conduct a capital campaign to raise funds to support the Organizations' purchase and renovation of new buildings to be used in future operations. The pledges are payable over a one to five year period. The total amount expected to be received at June 30, 2010 and 2009 is recorded at the present value of the expected future cash flows discounted at 5.25%. Management considers all pledges to be fully collectible.

Pledges receivable consist of the following at June 30:	<u>2010</u>	<u>2009</u>
Pledges receivable	\$ 658,000	\$ 761,440
Less: unamortized discount	<u>(66,005)</u>	<u>(72,218)</u>
Total	<u>\$ 591,995</u>	<u>\$ 689,222</u>

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

3. Capital Campaign Pledges Receivable (continued)

The total of pledges receivable is reflected in the Consolidated Statements of Financial Position as follows at June 30:

	<u>2010</u>	<u>2009</u>
Capital campaign pledges receivables - current	\$ 218,167	\$ 285,834
Capital campaign pledges receivables - noncurrent	<u>373,828</u>	<u>403,388</u>
	<u>\$ 591,995</u>	<u>\$ 689,222</u>
Amounts due in:		
Less than one year	\$ 229,900	\$ 300,840
One to five years	<u>428,100</u>	<u>460,600</u>
Total	<u>\$ 658,000</u>	<u>\$ 761,440</u>

4. Investments

Investments are recorded at fair value and consist of the following at June 30:

<u>2010</u>	<u>Cost</u>	<u>Net-Unrealized Depreciation</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 656,767</u>	<u>\$ (9,863)</u>	<u>\$ 646,904</u>

<u>2009</u>	<u>Cost</u>	<u>Net-Unrealized Depreciation</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 646,729</u>	<u>\$ (82,032)</u>	<u>\$ 564,697</u>

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

4. Investments (continued)

Investment income consists of the following for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 11,032	\$ 29,815
Gain (loss) on sale of investments	564	(351,144)
Change in unrealized appreciation (depreciation) on investments	<u>72,169</u>	<u>(82,032)</u>
Total return on investments	<u>\$ 83,765</u>	<u>\$ (403,361)</u>

The total of investment income is reflected in the Statements of Activities as follows:

	<u>2010</u>	<u>2009</u>
Non-operating support - Investment income (loss)	<u>\$ 83,765</u>	<u>\$ (403,361)</u>

An investment may be considered to be impaired if its cost basis exceeds its fair value thus resulting in unrealized depreciation. Investments are reported at their fair market value, thus any impairment losses have already been recognized through unrealized gains or losses in the Consolidated Statements of Activities. Management considers the investment portfolio losses to be temporary.

Investments included in the portfolio that have been in a continuous loss position are as follows at June 30, 2010:

	<u>More than 12 months</u>	
	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Gains/(Losses)</u>
Mutual funds	<u>\$ 646,904</u>	<u>\$ (9,863)</u>

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

5. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets (<u>Level 1</u>)	Significant Unobservable Inputs (<u>Level 3</u>)
Mutual funds	\$ 646,904	\$ 646,904	\$ -
Pledges receivable	<u>591,995</u>	<u>-</u>	<u>591,995</u>
Total assets	<u>\$1,238,899</u>	<u>\$ 646,904</u>	<u>\$ 591,995</u>

The table below presents information about the change in the pledges receivable, which is measured at fair value on a recurring basis using significant unobservable inputs:

Balance, July 1, 2009	\$ 689,222
Additional pledges receivable	-
Decrease in discount on pledges receivable	6,213
Receipts from pledges	<u>(103,440)</u>
Balance, June 30, 2010	<u>\$ 591,995</u>

The decrease of the discount on pledges receivable is included with temporarily restricted “contributions, pledges and grants” on the Consolidated Statements of Activities.

6. Lines of Credit

Helping Up Mission, Inc. has an available line of credit authorized to \$500,000 with interest computed on the aggregate unpaid balance based on the prime rate as published in the money rates section of *The Wall Street Journal* at an initial rate of 7.25% per annum. There was no balance outstanding on this line of credit at June 30, 2010 and 2009.

Helping Up Mission, Inc. also obtained an equipment line of credit authorized to \$100,000. Draws under this line will be supported by individual notes for a term not to exceed 60 months and bear interest at 275 basis points over the U.S Treasury rate when they become notes. There were two equipment loans outstanding as of June 30, 2010 and 2009, as described in Note 7. The amount available under this line of credit was \$73,337 and \$61,795 at June 30, 2010 and 2009, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

7. Long-Term Debt

The details of long-term debt are as follows at June 30:

	<u>2010</u>	<u>2009</u>
Construction loan	\$ 2,792,885	\$ -
Mortgages	1,595,849	1,634,432
Web system	-	6,838
Vans	<u>26,663</u>	<u>38,205</u>
	4,415,397	1,679,475
Less: current maturities	<u>78,634</u>	<u>1,439,722</u>
Total long-term debt	<u>\$ 4,336,763</u>	<u>\$ 239,753</u>

Helping Up Mission, Inc. obtained a mortgage loan with SunTrust Bank in June 2007 for \$299,841. The mortgage required that the principal be repaid in equal monthly installments of approximately \$2,500 (which is based on a 15-year amortization) plus accrued interest, with the unpaid principal due in 2007. During June 2007, the Organization refinanced the balloon payment due under the existing obligation with a term loan. The loan requires the principal be repaid in 60 equal monthly installments of \$2,478, plus accrued interest, with the unpaid principal balance due in 2012. Accrued interest shall be computed on the aggregate unpaid balance at a variable rate equivalent to 250 basis points above the 1-month BBA LIBOR Index.

The buildings at 1031 and 1029 East Baltimore Street are pledged as collateral for this mortgage. The outstanding loan balance was \$213,118 and \$242,852 at June 30, 2010 and 2009, respectively.

Helping Up Mission, Inc. obtained a loan with Farmers & Merchants Bank in October 2003 for \$1,400,000, to be drawn as necessary, to provide additional financing for renovations to 1017 East Baltimore Street. House of Freedom, Inc. is a guarantor on this loan. Interest-only payments at 5.75% were made on any outstanding borrowings through April 2005. Beginning in May 2, 2005, seventy-eight monthly installments of principal and interest are required totaling \$6,837, based on a 30-year amortization. During March 2010 the note was refinanced over a sixty month period at an interest rate of 6.75%. Beginning on April 2, 2010 monthly installments of principal and interest are required totaling \$9,609, with the unpaid principal balance of the loan due in March 2015. A security interest on 1017 East Baltimore Street secures this debt. The outstanding loan balance was \$1,382,731 and \$1,391,580 at June 30, 2010 and 2009, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

7. Long-Term Debt (continued)

In December 2007, Helping Up Mission, Inc. purchased a van with financing of \$23,341 from Susquehanna Bank. The note requires monthly principal and interest payments of \$555 with a stated rate of interest of 6.55% maturing December 2011. The vehicle collateralizes this note. The outstanding balance on this loan was \$9,481 and \$15,313 at June 30, 2010 and 2009, respectively

In February 2008, Helping Up Mission, Inc. purchased a van with financing of \$29,948 from Susquehanna Bank. The note requires monthly principal and interest payments of \$587 with a stated rate of interest of 6.5% maturing February 2013. The vehicle collateralizes this note. The outstanding balance on this loan was \$17,182 and \$22,892 at June 30, 2010 and 2009, respectively

In September 2007, Helping Up Mission, Inc. purchased web services and licensing agreements from Black Baud. The total purchase was \$51,200, which was financed through Citi Capital. The note required monthly principal and interest payments of \$2,309 with a stated rate of interest of 7.7% maturing September 2009. The outstanding balance on this loan was \$-0- and \$6,838 at June 30, 2010 and 2009, respectively.

In July 2009, Helping Up Mission, Inc. entered into a construction loan with Susquehanna Bank not to exceed \$4,000,000 for renovations to be made at 1027-1029 East Baltimore Street. The proceeds of the loan can be advanced from time to time upon the Borrower's request during the construction period (through September 30, 2010). Payments of interest only at a floating rate equal to the Prime Rate, with a floor of 4% are due through September 30, 2010. Beginning on October 1, 2010, sixty monthly principal and interest payments are required based on the outstanding loan balance at that time, using a 25 year amortization schedule, with all unpaid principal and interest due and payable on September 1, 2015. Beginning October 1, 2010, the interest rate is equal to 275 basis points over the five-year Treasury Rate as published in the Wall Street Journal, with a floor of 6.6%. The loan contains certain financial covenants which were met as of June 30, 2010. The outstanding balance on this loan was \$2,792,885 at June 30, 2010.

As explained in Note 16, \$1,000,000 was received subsequent to year end. This money was used to repay the construction loan. On October 1, 2010, the balance on this construction loan was \$1,483,451. Monthly principal and interest payments of \$10,109 are required under the loan agreement based on the balance at that time and this is the information used in calculating the future minimum principal payments due under this loan included in the schedule below.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

7. Long-Term Debt (continued)

Future minimum principal payments for long-term debt are as follows:

Years Ending June 30,	Amount
2011	\$ 78,634
2012	88,750
2013	210,829
2014	56,254
2015	1,315,540
Thereafter	<u>2,665,390</u>
Total	<u>\$ 4,415,397</u>

Interest expense was \$116,382 and \$95,420 for the years ended June 30, 2010 and 2009, respectively on this debt.

8. Capital Leases

During 2004, the Organization entered into three capital lease arrangements and in 2005 entered into another capital lease arrangement to finance the purchase of computer equipment and a network copier/printer. Amortization expense has been included in depreciation expense and totaled \$2,440 and \$2,582 for the years ended June 30, 2010 and 2009, respectively.

At June 30, assets under these capital leases are included in the caption "Furniture and equipment" in the accompanying Consolidated Statements of Financial Position and were as follows:

	<u>2010</u>	<u>2009</u>
Capitalized amount	\$ 26,572	\$ 43,701
Less: accumulated amortization	<u>23,964</u>	<u>31,515</u>
Net book value	<u>\$ 2,608</u>	<u>\$ 12,186</u>

All capital leases were paid off as of June 30, 2010, and hence, there are no future minimum lease payments due under the capital lease obligations.

Interest expense related to the capital leases was \$3 and \$331 for the years ended June 30, 2010 and 2009, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

9. Annuities Payable

Helping Up Mission, Inc. has entered into four agreements to provide periodic payments to two individuals during the remainder of their lives in return for a charitable gift to Helping Up Mission, Inc. The aggregate annual payments on these annuity obligations at June 30, 2010 are \$41,200. A portion of the gift represents an obligation by Helping Up Mission, Inc. to make the annual payments (recorded at present value based on the donor's life expectancy and market interest rates at the time the gift was received) and the remainder represents a contribution. At June 30, 2010 and 2009, Helping Up Mission, Inc. has sufficient reserves to fund these obligations.

Future minimum principal payments for annuities are as follows:

Years Ending June 30,	Amount
2011	\$ 5,919
2012	6,277
2013	6,659
2014	7,063
2015	7,492
Thereafter	<u>7,790</u>
Total	<u>\$ 41,200</u>

Interest expense related to annuities payable totaled \$2,746 and \$3,064 for the years ended June 30, 2010 and 2009, respectively

10. Revenue from Services

Revenue from services and programs provided for the years ended June 30 consists of the following:

	<u>2010</u>	<u>2009</u>
Lodging	\$ 918,055	\$ 962,770
Food stamps	289,988	297,242
Temporary disability assistance	<u>255,997</u>	<u>266,464</u>
	<u>\$ 1,464,040</u>	<u>\$ 1,526,476</u>

“Placement service fees, net of direct salaries and related expenses” represents net revenue from providing employment opportunities for program men as part of work therapy. The gross revenue from employers was \$433,887 and \$591,176 and direct expenses for salaries and related taxes were \$331,943 and \$523,694 for the years ended June 30, 2010 and 2009, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

11. Commitments

Operating Leases

In June 2006, Helping Up Mission, Inc. entered into an operating lease agreement for various office equipment. The lease has a term of five years and provides for base monthly rentals of \$2,573, with certain provisions for additional amounts due depending on total usage of the associated equipment. This lease was ended early in May 2010.

Helping Up Mission, Inc. entered into a new operating lease agreement in June 2010 for various office equipment. The lease has a term of five years and provides for base monthly rentals of \$2,341, with certain provisions for additional amounts due depending on total usage of the associated equipment.

Total payments under these arrangements for the years ended June 30, 2010 and 2009 were \$40,901 and \$44,656, respectively. These amounts have been included in "equipment lease and maintenance" in the accompanying Consolidated Statements of Functional Expenses.

In February 2009, Helping Up Mission, Inc. entered into an operating lease agreement for a townhouse in Baltimore City for the "3/4 Housing Program". The program provides for Helping Up Mission, Inc. to lease the townhouse from the landlord and in turn rent it to program graduates who live independently. This is a one year lease with an option to renew for a period of up to five years. In March 2010, the Organization exercised its option to renew. Base monthly rent is \$3,700 for the first year, with a 2% annual escalation in each future year. Total payments under this lease agreement for the years ended June 30, 2010 and 2009 were \$44,400 and \$18,500, respectively.

The aggregate minimum future rental payments under the above non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2010 are as follows:

Years Ending June 30,	Amount
2011	\$ 72,788
2012	73,682
2013	74,594
2014	75,524
2015	60,132
Total	<u>\$ 356,720</u>

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

11. Commitments (continued)

Accumulated Vacation

Employees of Helping Up Mission, Inc. earn a vested right to compensation for unused vacation. Accordingly, Helping Up Mission, Inc. has made an accrual for vacation compensation that employees have earned but not taken. Accrued vacation totaled \$61,694 and \$66,784 at June 30, 2010 and 2009, respectively, and is included in the balance of “accrued expenses” on the Consolidated Statements of Financial Position.

Building and Equipment Contracts

In May 2009, the Organizations entered into a contract to renovate a building located at 1029 E. Baltimore Street. The total contract value is \$5,021,978. As of June 30, 2009, construction in progress was \$1,271,417 related to that project. Additional costs of \$4,314,576 were incurred under the project during the year ended June 2010. During May 2010, the building located at 1029 E. Baltimore Street was placed in service and the related construction in progress was transferred to “buildings and improvements” in the Consolidated Statement of Financial Position and began being depreciated.

During the year ended June 30, 2010, the Organizations began plans for renovations to 1031 E. Baltimore Street. As of June 30, 2010 construction in progress was \$65,712 related to preliminary design and project costs.

12. Temporarily Restricted Net Assets

Helping Up Mission, Inc. conducts a Capital Campaign to support the costs of purchasing and renovating various buildings. Total contributions and pledges generated from the Capital Campaign during 2010 and 2009 totaled \$1,463,791 and \$1,045,272, respectively, and were classified as “temporarily restricted net assets” in the Consolidated Statements of Activities. Other temporarily restricted net assets represent funds received for various medical and other needs of program members. As of June 30, 2010, there were no unexpended Capital Campaign costs relating to costs of purchasing and renovating various buildings. Temporarily restricted net assets represents funds received for various medical and other needs of program members at June 30, 2010. At June 30, 2009, temporarily restricted net assets represents the unexpended Capital Campaign and funds received for various medical and other needs of program members.

13. Supplemental Disclosure of Cash Flow Information

Cash paid for interest totaled \$116,385 and \$95,751 for the years ended June 30, 2010 and 2009, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

13. Supplemental Disclosure of Cash Flow Information (continued)

For Consolidated Statements of Cash Flow purposes, there were two non-cash transactions for the year ended June 30, 2010. "Property and Equipment" and "Accounts Payable" increased in the amount of \$142,419 for assets that were payable at June 30, 2010. In addition, "Property and Equipment" and "Accounts Payable" decreased in the amount of \$213,882 for assets that were payable at June 30, 2009 that were paid in the current year.

During the years ended June 30, 2010 and 2009, the Organization received \$32,445 and \$24,675 of stock donations, of which some were included in the "Support and Revenue" section of the Consolidated Statements of Activities and some were included in "Capital campaign pledges receivable" section of the Consolidated Statements of Financial Position.

14. Conditional Promise to Give

In August 2007, Helping Up Mission, Inc. was awarded a conditional promise to give from The Harry and Jeanette Weinberg Foundation in the amount of \$1,500,000. The grant is to be used to support capital costs for the renovations to buildings which serve as emergency shelter, transitional housing, and school for homeless men in Baltimore City. The grant provides for four installments of \$375,000 each, on the condition that Helping Up Mission raise \$750,000 prior to each installment. For the year ended June 30, 2009, the Organization raised enough funds to qualify for the first installment of the grant, which was received in July 2009. For the year ended June 30, 2010, the Organization raised enough funds to qualify for the second installment of the grant, which was received in January 2010.

In December 2008, Helping Up Mission, Inc. was awarded a conditional promise to give from FHLBank Atlanta, a Federal Home Loan Bank, in the amount of \$1,000,000. The grant is to be used to support capital costs for the renovations to 1029 East Baltimore Street which will house a new chapel, overnight emergency services with beds for 60 men, classrooms and a library for homeless men in Baltimore City. The grant provides for payment in full on the conditions that the Organization complete construction at 1029 E. Baltimore Street and that 100% of ownership units and 75% of the assisted rental units must be occupied. The grant must be repaid if Helping Up Mission, Inc. is not in compliance with the terms of the application, which includes the use of the building for the services noted above. Subsequent to year end, Helping Up Mission, Inc. met all requirements under this agreement and the grant was paid in full in August 2010.

15. Retirement Plan

Helping Up Mission, Inc. sponsors and contributes to an employee Simple IRA plan. Contributions to this Plan totaled \$23,134 and \$24,208 for the years ended June 30, 2010 and 2009, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2010 and 2009

16. Subsequent Events

Subsequent to year end, the Organization met the conditions necessary to qualify for the third installment of the grant from The Harry and Jeanette Weinberg Foundation explained in Note 14. As explained in Note 14, the Organization also met the requirements under the grant from FHLBank Atlanta and received \$1,000,000 in August 2010.

Subsequent events were evaluated through October 19, 2010, the date the financial statements were available to be issued.