

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

**Audited Consolidated  
Financial Statements**

**June 30, 2011 and 2010**

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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, 2011 and 2010, 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, 2011 and 2010, 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 12, 2011

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# Helping Up Mission, Inc. and Subsidiaries

## Consolidated Statements of Financial Position

June 30,	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,630,815	\$ 1,831,673
Accounts receivable	248,998	218,269
Grant receivable	1,013	-
Capital campaign pledges receivable	197,479	218,167
Prepaid expenses and other current assets	47,317	22,351
Total current assets	<u>2,125,622</u>	<u>2,290,460</u>
<b>Property and Equipment:</b>		
Buildings and improvements	13,882,936	13,869,376
Furniture and equipment	696,403	726,986
Vehicles	197,463	177,789
Total	14,776,802	14,774,151
Less accumulated depreciation	<u>2,105,655</u>	<u>1,635,919</u>
	12,671,147	13,138,232
Land	400,500	400,500
Construction in progress	81,313	65,712
Net property and equipment	<u>13,152,960</u>	<u>13,604,444</u>
<b>Other Assets:</b>		
Investments	816,909	646,904
Capital campaign pledges receivable - noncurrent	272,063	373,828
Loan costs - net of accumulated amortization of \$40,375 - 2011 and \$34,447 - 2010	18,276	24,204
Security deposits	3,100	-
Total other assets	<u>1,110,348</u>	<u>1,044,936</u>
<b>Total Assets</b>	<u>\$ 16,388,930</u>	<u>\$ 16,939,840</u>

	<u>2011</u>	<u>2010</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 112,859	\$ 78,634
Accounts payable	82,970	238,192
Accrued expenses and other current liabilities	149,714	127,600
Deferred grant revenue	85,000	5,000
Current maturities of annuities payable	<u>6,277</u>	<u>5,919</u>
Total current liabilities	<u>436,820</u>	<u>455,345</u>
 <b>Long-Term Liabilities:</b>		
Long-term debt	1,953,893	4,336,763
Annuities payable	<u>29,004</u>	<u>35,281</u>
Total long-term liabilities	<u>1,982,897</u>	<u>4,372,044</u>
 Total liabilities	 <u>2,419,717</u>	 <u>4,827,389</u>
 <b>Net Assets:</b>		
Unrestricted	13,959,606	12,102,810
Temporarily restricted	<u>9,607</u>	<u>9,641</u>
Total net assets	<u>13,969,213</u>	<u>12,112,451</u>
 <b>Total Liabilities and Net Assets</b>	 <u>\$ 16,388,930</u>	 <u>\$ 16,939,840</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,

2011

2010

### Unrestricted Net Assets

#### Support and Revenue

##### Support:

Contributions and gifts

\$ 3,220,453 \$ 2,732,599

In-kind donations

2,356,672 2,046,035

Total support

5,577,125 4,778,634

##### Revenue:

Program fees

1,583,252 1,464,040

Placement service fees

429,880 433,887

Other income

17,377 6,439

Total revenue

2,030,509 1,904,366

Total support and revenue

7,607,634 6,683,000

#### Functional Expenses:

Program services

6,000,599 5,229,118

Administrative and general

513,774 474,028

Fundraising

1,231,807 904,682

Total functional expenses

7,746,180 6,607,828

(Decrease) increase in net assets from operations

(138,546) 75,172

Non-operating support - investment income

173,011 83,765

Net assets released from restriction

1,822,331 1,770,457

Increase in unrestricted net assets

1,856,796 1,929,394

### Temporarily Restricted Net Assets

Contributions, pledges and grants

1,822,297 1,514,365

Net assets released from restrictions

(1,822,331) (1,770,457)

Decrease in temporarily restricted net assets

(34) (256,092)

Increase in total net assets

1,856,762 1,673,302

Net assets, beginning of year

12,112,451 10,439,149

Net assets, end of year

\$ 13,969,213 \$ 12,112,451

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, 2011 (with comparative totals for 2010)

	Program Services	Administrative and General	Fundraising	Total	
				2011	2010
Amortization	\$ -	\$ 5,928	\$ -	\$ 5,928	\$ 8,311
Annuity interest	-	2,405	-	2,405	2,746
Bad debt	-	6,978	-	6,978	6,382
Bank charges	-	44,296	-	44,296	37,871
Banquet	135,904	-	-	135,904	119,130
Camps	24,000	-	-	24,000	82,125
Conference, seminars and meetings	3,021	12,950	8,361	24,332	19,593
Cultivation and acquisition	11,025	-	654,342	665,367	525,393
Depreciation	433,130	50,956	25,478	509,564	403,351
Educational	18,215	7,807	-	26,022	14,611
Equipment lease and maintenance	39,602	4,284	34,806	78,692	78,959
Food purchases	136,439	-	-	136,439	99,834
Insurance	64,973	27,846	-	92,819	108,621
Interest	134,810	19,772	25,165	179,747	116,385
Memberships and subscriptions	3,827	1,731	1,421	6,979	3,335
Loss on disposal of equipment	6,014	668	-	6,682	128,113
Newsletter expenses	135,936	-	-	135,936	114,058
Permits, licenses and taxes	2,744	-	-	2,744	2,659
Printing, postage and shipping	559	755	315	1,629	8,342
Professional and contractual services	47,843	66,770	141,440	256,053	123,286
Public awareness	116,594	-	19,759	136,353	62,029
Publications	864	-	-	864	1,601
Rent	49,862	-	-	49,862	44,400
Repairs and maintenance - building	83,349	12,456	-	95,805	65,453
Residents' allowance and assistance	15,523	-	-	15,523	11,858
Salaries and related expenses	1,777,537	210,879	279,669	2,268,085	1,958,259
Specific assistance	-	-	-	-	360
Special events	2,535	-	10,154	12,689	8,895
Supplies	123,378	12,214	1,581	137,173	112,883
Telephone	23,752	8,587	3,516	35,855	33,563
Travel and entertainment	1,741	3,909	858	6,508	6,422
Utilities	212,390	12,085	24,942	249,417	224,259
Vehicles	38,360	498	-	38,858	28,706
Subtotal	3,643,927	513,774	1,231,807	5,389,508	4,561,793
Non-cash distributions:					
Donated merchandise distribution	532,467	-	-	532,467	448,123
Donated professional services distribution	168,856	-	-	168,856	389,063
Donated food distribution	1,655,349	-	-	1,655,349	1,208,849
Subtotal - Non-cash distributions	2,356,672	-	-	2,356,672	2,046,035
Total functional expenses	\$ 6,000,599	\$ 513,774	\$ 1,231,807	\$ 7,746,180	\$ 6,607,828

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

	Program Services	Administrative and General	Fundraising	2010
Amortization	\$ -	\$ 8,311	\$ -	\$ 8,311
Annuity interest	-	2,746	-	2,746
Bad debt	-	6,382	-	6,382
Bank charges	-	37,871	-	37,871
Banquet	119,130	-	-	119,130
Camps	82,125	-	-	82,125
Conference, seminars and meetings	965	12,644	5,984	19,593
Cultivation and acquisition	-	-	525,393	525,393
Depreciation	342,848	40,335	20,168	403,351
Educational	11,200	3,411	-	14,611
Equipment lease and maintenance	45,583	6,023	27,353	78,959
Food purchases	99,834	-	-	99,834
Insurance	76,035	32,586	-	108,621
Interest	73,735	11,518	31,133	116,385
Memberships and subscriptions	-	1,379	1,956	3,335
Loss on disposal of equipment	115,302	12,811	-	128,113
Newsletter expenses	114,058	-	-	114,058
Permits, licenses and taxes	2,659	-	-	2,659
Printing, postage and shipping	500	2,335	5,507	8,342
Professional and contractual services	71,541	46,705	5,040	123,286
Public awareness	61,424	-	605	62,029
Publications	1,601	-	-	1,601
Rent	44,400	-	-	44,400
Repairs and maintenance - building	58,028	7,425	-	65,453
Residents' allowance and assistance	11,858	-	-	11,858
Salaries and related expenses	1,506,484	204,095	247,680	1,958,259
Specific assistance	360	-	-	360
Special events	2,731	-	6,164	8,895
Supplies	100,751	10,713	1,419	112,883
Telephone	23,024	7,547	2,992	33,563
Travel and entertainment	485	5,074	863	6,422
Utilities	190,925	10,908	22,426	224,259
Vehicles	25,497	3,209	-	28,706
Subtotal	3,183,083	474,028	904,682	4,561,793
Non-cash distributions:				
Donated merchandise distribution	448,123	-	-	448,123
Donated professional services distribution	389,063	-	-	389,063
Donated food distribution	1,208,849	-	-	1,208,849
Subtotal - Non-cash distributions	2,046,035	-	-	2,046,035
Total functional expenses	\$ 5,229,118	\$ 474,028	\$ 904,682	\$ 6,607,828

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,

2011

2010

### Cash flows from operating activities:

Increase in net assets	\$ 1,856,762	\$ 1,673,302
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization	5,928	8,311
Bad debt	6,978	6,382
Depreciation	509,564	403,351
Loss on disposal of property and equipment	6,682	128,113
Unrealized gain loss on investments	(160,025)	(72,169)
Gain loss on sale of investments	(245)	(564)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(37,707)	(57,447)
Grants receivable	(1,013)	377,000
Capital campaign pledges receivable	122,453	97,227
Prepaid expenses and other current assets	(24,966)	38,752
Deposits	(3,100)	-
(Decrease) increase in:		
Accounts payable	(155,222)	(55,590)
Accrued expenses and other current liabilities	22,114	(15,839)
Deferred grant revenue	80,000	-

Net cash provided by operating activities

2,228,203      2,530,829

### Cash flows from investing activities:

Purchase of investments	(86,906)	(42,483)
Proceeds from sale of investments	77,171	33,009
Purchase of property and equipment	(64,762)	(4,593,419)
Net cash used in investing activities	<u>(74,497)</u>	<u>(4,602,893)</u>

### Cash flows from financing activities:

Proceeds received from long-term debt	-	4,000,000
Repayments - long-term debt	(2,348,645)	(1,264,078)
Repayments - capital leases	-	(734)
Loan acquisition costs paid	-	(29,638)
Payments on annuities payable	(5,919)	(5,580)

Net cash (used in) provided by financing activities

(2,354,564)      2,699,970

Net (decrease) increase in cash and cash equivalents

(200,858)      627,906

Cash and cash equivalents, beginning of year

1,831,673      1,203,767

Cash and cash equivalents, end of year

\$ 1,630,815      \$ 1,831,673

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, 2011 and 2010

### **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.

#### **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, 2011 and 2010

### 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, 2011 and 2010, the Organizations had temporarily restricted net assets totaling \$9,607 and \$9,641, 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, 2011 and 2010, 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 management believes 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, 2011 and 2010 was \$1,189,827 and \$1,429,263, respectively.

#### **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, 2011 and 2010

### 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 \$12,874 and \$6,382 at June 30, 2011 and 2010, respectively. Bad debt expense for the years ended June 30, 2011 and 2010 was \$6,978 and \$6,382, 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 Organizations 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, 2011 and 2010

### 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, 2011 and 2010

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

#### **Property and Equipment and Depreciation** (continued)

Depreciation expense was \$509,564 and \$403,351 for the years ended June 30, 2011 and 2010, 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 \$29,638 at June 30, 2011 and 2010 that are being amortized over the life of the related loan(s) (60 months) starting in 2009 using the straight-line method. Amortization expense relating to these loan costs totaled \$5,928 and \$8,311 for the years ended June 30, 2011 and 2010, respectively. Amortization expense is expected to be \$5,928 for each of the years ended June 30, 2012-2014 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 and merchandise distributions 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.

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.

# Helping Up Mission, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

For the years ended June 30, 2011 and 2010

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

#### 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.

#### Reclassifications

Certain amounts from 2010 have been reclassified to conform to the 2011 presentation.

## Helping Up Mission, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

For the years ended June 30, 2011 and 2010

#### 2. 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, 2011 and 2010 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>2011</u>	<u>2010</u>
Pledges receivable	\$ 521,800	\$ 658,000
Less: unamortized discount	<u>(52,258)</u>	<u>(66,005)</u>
Total	<u>\$ 469,542</u>	<u>\$ 591,995</u>

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

	<u>2011</u>	<u>2010</u>
Capital campaign pledges receivables - current	\$ 197,479	\$ 218,167
Capital campaign pledges receivables - noncurrent	<u>272,063</u>	<u>373,828</u>
	<u>\$ 469,542</u>	<u>\$ 591,995</u>
Amounts due in:		
Less than one year	\$ 208,100	\$ 229,900
One to five years	<u>313,700</u>	<u>428,100</u>
Total	<u>\$ 521,800</u>	<u>\$ 658,000</u>



## Helping Up Mission, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

For the years ended June 30, 2011 and 2010

#### 3. Investments

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

<u>2011</u>	<u>Cost</u>	<u>Net-Unrealized Appreciation</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 666,747</u>	<u>\$ 150,162</u>	<u>\$ 816,909</u>
<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>

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

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 12,741	\$ 11,032
Gain (loss) on sale of investments	245	564
Change in unrealized appreciation (depreciation) on investments	<u>160,025</u>	<u>72,169</u>
Total return on investments	<u>\$ 173,011</u>	<u>\$ 83,765</u>

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

	<u>2011</u>	<u>2010</u>
Non-operating support - Investment income	<u>\$ 173,011</u>	<u>\$ 83,765</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.

## Helping Up Mission, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

For the years ended June 30, 2011 and 2010

#### 4. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2011 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	\$ 816,909	\$ 816,909	\$ -
Pledges receivable	<u>469,542</u>	<u>-</u>	<u>469,542</u>
Total assets	<u>\$ 1,286,451</u>	<u>\$ 816,909</u>	<u>\$ 469,542</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, 2010	\$ 591,995
Additional pledges receivable	50,000
Decrease in discount on pledges receivable	13,747
Receipts from pledges	<u>(186,200)</u>
Balance, June 30, 2011	<u>\$ 469,542</u>

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

#### 5. 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, 2011 and 2010.

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, 2011 and 2010, as described in Note 6. The amount available under this line of credit was \$85,656 and \$73,337 at June 30, 2011 and 2010, respectively.

## Helping Up Mission, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

For the years ended June 30, 2011 and 2010

#### 6. Long-Term Debt

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

	<u>2011</u>	<u>2010</u>
Construction / term loan	\$ 692,560	\$ 2,792,885
Mortgages	1,359,848	1,595,849
Vans	<u>14,344</u>	<u>26,663</u>
	2,066,752	4,415,397
Less: current maturities	<u>112,859</u>	<u>78,634</u>
Total long-term debt	<u>\$ 1,953,893</u>	<u>\$ 4,336,763</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 loan was paid off during the year ended June 30, 2011. The outstanding loan balance was \$-0- and \$213,118 at June 30, 2011 and 2010, 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 \$1,359,848 and \$1,382,731 at June 30, 2011 and 2010, respectively.

# Helping Up Mission, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

For the years ended June 30, 2011 and 2010

### 6. 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 \$3,261 and \$9,481 at June 30, 2011 and 2010, 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 \$11,083 and \$17,182 at June 30, 2011 and 2010, 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% were due through September 30, 2010. Beginning on October 1, 2010, sixty monthly principal and interest payments of \$10,198 are required under the loan agreement, 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, 2011. The outstanding balance on this loan was \$692,560 and \$2,792,885 at June 30, 2011 and 2010, respectively.

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

Years Ending June 30,	Amount
2012	\$ 112,859
2013	114,689
2014	117,663
2015	1,378,898
2016	342,643
Total	<u>\$ 2,066,752</u>

Interest expense was \$179,747 and \$116,385 for the years ended June 30, 2011 and 2010, respectively on this debt.

## Helping Up Mission, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

For the years ended June 30, 2011 and 2010

#### 7. 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, 2011 are \$35,281. 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, 2011 and 2010, 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
2012	\$ 6,277
2013	6,659
2014	7,063
2015	7,492
2016	5,971
Thereafter	1,819
Total	<u>\$ 35,281</u>

Interest expense related to annuities payable totaled \$2,405 and \$2,746 for the years ended June 30, 2011 and 2010, respectively.

#### 8. Revenue from Services

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

	<u>2011</u>	<u>2010</u>
Lodging	\$ 911,533	\$ 918,055
Food stamps	355,852	289,988
Temporary disability assistance	315,867	255,997
	<u>\$ 1,583,252</u>	<u>\$ 1,464,040</u>

Placement service fees represent revenue from providing employment opportunities for program men as part of work therapy.

# Helping Up Mission, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

For the years ended June 30, 2011 and 2010

### 9. 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 equipment lease arrangements for the years ended June 30, 2011 and 2010 were \$42,109 and \$40,901, 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.

In May 2011, Helping Up Mission, Inc. entered into an operating lease agreement for another townhouse in Baltimore City for the "3/4 Housing Program". This is a 46 month lease with an option to renew for a period of up to five years. Base monthly rent is \$3,100 with no annual escalation in future years.

Total payments under these townhouse lease arrangements for the years ended June 30, 2011 and 2010 were \$49,862 and \$44,400, respectively.

# Helping Up Mission, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

For the years ended June 30, 2011 and 2010

### 9. Commitments (continued)

#### Operating Leases (continued)

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, 2011 are as follows:

Years Ending June 30,	Amount
2012	\$ 110,882
2013	111,794
2014	112,724
2015	91,132
2016	2,341
Total	<u>\$ 428,873</u>

#### 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 \$66,510 and \$61,694 at June 30, 2011 and 2010, 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. The Organizations entered into a \$1,356,871 contract for renovations during the year ended June 30, 2011. As of June 30, 2011 and 2010, construction in progress was \$81,313 and \$65,712, respectively, related to preliminary design and project costs.

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

## **Notes to Consolidated Financial Statements**

For the years ended June 30, 2011 and 2010

### **10. 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 2011 and 2010 totaled \$1,757,350 and \$1,463,791, 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, 2011 and 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, 2011 and 2010.

### **11. Supplemental Disclosure of Cash Flow Information**

Cash paid for interest totaled \$179,747 and \$116,385 for the years ended June 30, 2011 and 2010, respectively.

During the years ended June 30, 2011 and 2010, the Organization received \$76,926 and \$32,445 of stock donations. For the year ended June 30, 2011, the donations were included in the “Support and Revenue” section of the Consolidated Statements of Activities. For the year ended June 30, 2010, a portion of the donations were included in the “Support and Revenue” section of the Consolidated Statements of Activities and a portion were included in “Capital campaign pledges receivable” section of the Consolidated Statements of Financial Position.

### **12. 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, 2010, the Organization raised enough funds to qualify for the second installment of the grant, which was received in January 2010. During the year ended June 30, 2011, the Organization raised enough funds to qualify for the third and fourth (final) installments of the grant, which were received in December 2010 and February 2011.



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

### **Notes to Consolidated Financial Statements**

For the years ended June 30, 2011 and 2010

#### **12. Conditional Promise to Give (continued)**

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. For the year ended June 30, 2011, Helping Up Mission, Inc. met all requirements under this agreement and the grant was paid in full in August 2010.

#### **13. Retirement Plan**

Helping Up Mission, Inc. sponsors and contributes to an employee Simple IRA plan. Contributions to this Plan totaled \$24,210 and \$23,134 for the years ended June 30, 2011 and 2010, respectively.

#### **14. Subsequent Events**

Subsequent to year end, the Organization obtained funding from the Department of Housing and Community Development of the State of Maryland for up to \$740,838 to finance the costs of the rehabilitation of 1031 East Baltimore Street.

In August 2011, the Organization also finalized a one year strategic partnership agreement with the Baltimore City Counseling Center. The Organization will lease space to the Baltimore City Counseling Center for \$2,056 a month.

Subsequent events were evaluated through October 12, 2011, the date the financial statements were available to be issued.