

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

**Audited Consolidated
Financial Statements**

June 30, 2013 and 2012

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Helping Up Mission, Inc. and Subsidiaries (House of Freedom, Inc. and New Creations Staffing Solutions, Inc.), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the 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, 2013, 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.

Other Matter

The financial statements of Helping Up Mission, Inc. and Subsidiaries as of June 30, 2012 were audited by other auditors whose report dated October 31, 2012, expressed an unmodified opinion on those statements.

Fitzpatrick, Leary & Szabo, LLC

October 15, 2013

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Financial Position

June 30,	<u>2013</u>	<u>2012</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,576,242	\$ 675,833
Certificates of deposit	52,239	51,651
Accounts receivable, net of allowance	90,810	193,543
Grant receivable	120,000	447,434
Capital campaign pledges receivable	62,455	78,859
Prepaid expenses and other current assets	20,970	41,051
Total current assets	<u>1,922,716</u>	<u>1,488,371</u>
Property and Equipment:		
Buildings and improvements	15,587,078	13,679,721
Furniture and equipment	742,162	735,789
Vehicles	145,918	197,463
Total	16,475,158	14,612,973
Less accumulated depreciation	<u>2,964,776</u>	<u>2,495,131</u>
	13,510,382	12,117,842
Land	400,500	400,500
Construction in progress	-	1,870,845
Net property and equipment	<u>13,910,882</u>	<u>14,389,187</u>
Other Assets:		
Investments	1,239,391	1,065,643
Capital campaign pledges receivable - noncurrent	129,930	174,138
Loan costs - net of accumulated amortization of \$29,133 - 2013 and \$18,395 - 2012	27,023	37,761
Security deposits	3,100	3,100
Total other assets	<u>1,399,444</u>	<u>1,280,642</u>
Total Assets	<u>\$ 17,233,042</u>	<u>\$ 17,158,200</u>

	<u>2013</u>	<u>2012</u>
Liabilities and Net Assets		
Current Liabilities:		
Lines of credit	\$ -	\$ 203,471
Current maturities of long-term debt	117,663	110,128
Current maturities of annuities payable	7,063	6,659
Accounts payable	96,206	67,730
Accrued expenses and other current liabilities	82,978	185,904
Deferred grant revenue	17,921	53,006
Total current liabilities	<u>321,831</u>	<u>626,898</u>
Long-Term Liabilities:		
Lines of credit	-	296,619
Long-term debt	1,624,196	1,839,780
Annuities payable	15,282	22,345
Total long-term liabilities	<u>1,639,478</u>	<u>2,158,744</u>
Total liabilities	<u>1,961,309</u>	<u>2,785,642</u>
Net Assets:		
Unrestricted	15,231,713	14,346,105
Temporarily restricted	40,020	26,453
Total net assets	<u>15,271,733</u>	<u>14,372,558</u>
Total Liabilities and Net Assets	<u>\$ 17,233,042</u>	<u>\$ 17,158,200</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>2013</u>	<u>2012</u>
Unrestricted Net Assets		
Support and Revenue		
Support:		
Contributions and gifts	\$ 3,555,941	\$ 3,434,246
In-kind donations	<u>2,320,191</u>	<u>2,169,694</u>
Total support	<u>5,876,132</u>	<u>5,603,940</u>
Revenue:		
Program fees	1,902,699	1,629,382
Placement service fees	18,944	347,486
Rental income	38,927	29,333
Other income	<u>13,870</u>	<u>11,353</u>
Total revenue	<u>1,974,440</u>	<u>2,017,554</u>
 Total support and revenue	 <u>7,850,572</u>	 <u>7,621,494</u>
Functional Expenses:		
Program services	6,715,150	6,437,872
Administrative and general	451,257	552,465
Fundraising	<u>1,511,621</u>	<u>1,227,005</u>
Total functional expenses	<u>8,678,028</u>	<u>8,217,342</u>
Decrease in net assets from operations	(827,456)	(595,848)
Non-operating support - Investment income	177,286	50,900
Net assets released from restriction	<u>1,535,778</u>	<u>931,447</u>
Increase in unrestricted net assets	<u>885,608</u>	<u>386,499</u>
Temporarily Restricted Net Assets		
Contributions, pledges and grants	1,549,345	948,293
Net assets released from restrictions	<u>(1,535,778)</u>	<u>(931,447)</u>
Increase in temporarily restricted net assets	<u>13,567</u>	<u>16,846</u>
Increase in total net assets	899,175	403,345
Net assets, beginning of year	<u>14,372,558</u>	<u>13,969,213</u>
Net assets, end of year	<u>\$ 15,271,733</u>	<u>\$ 14,372,558</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, 2013 (with comparative totals for 2012)

	Program	Administrative	Fundraising	Total	
	Services	and General		2013	2012
Amortization	\$ -	\$ 10,738	\$ -	\$ 10,738	\$ 7,033
Annuity interest	-	1,667	-	1,667	2,048
Bad debt	12,128	-	-	12,128	212,429
Bank and investment fees	13,709	30,669	-	44,378	30,199
Banquet	125,045	-	1,476	126,521	146,707
Camps	46,216	-	-	46,216	42,780
Conference, seminars and meetings	2,115	9,238	11,828	23,181	22,000
Cultivation and acquisition	14,931	-	953,156	968,087	927,700
Depreciation	468,588	55,128	27,564	551,280	522,077
Equipment lease and maintenance	61,254	8,812	25,467	95,533	89,277
Food purchases	192,164	42	463	192,669	181,218
Insurance	64,802	27,773	-	92,575	96,376
Interest	93,096	11,172	19,860	124,128	135,771
Memberships and subscriptions	6,018	5,356	1,446	12,820	12,886
Loss on disposal of equipment	32,292	1,993	-	34,285	79,433
Newsletter expenses	126,234	-	-	126,234	125,682
Printing, postage and shipping	1,368	576	2,190	4,134	320
Professional and contractual services	83,818	49,627	4,577	138,022	128,826
Public awareness	41,926	97	5,450	47,473	41,953
Rent	81,600	-	-	81,600	81,600
Repairs and maintenance - building	546,212	12,538	76	558,826	218,059
Residents' assistance	140,600	24	73	140,697	59,749
Salaries and related expenses	1,887,275	185,130	386,221	2,458,626	2,454,238
Special events	112	-	10,038	10,150	5,832
Supplies	30,150	9,965	1,348	41,463	49,466
Telephone and communication	41,202	8,801	6,799	56,802	39,578
Travel and entertainment	60	5,475	219	5,754	4,240
Utilities	241,812	13,520	28,370	283,702	269,449
Women's program	852	-	25,000	25,852	-
Vehicles	65,507	2,916	-	68,423	60,722
Subtotal	4,421,086	451,257	1,511,621	6,383,964	6,047,648
Non-cash distributions:					
Donated merchandise distribution	582,307	-	-	582,307	463,599
Donated professional services distribution	577,075	-	-	577,075	498,173
Donated food distribution	1,134,682	-	-	1,134,682	1,207,922
Subtotal - Non-cash distributions	2,294,064	-	-	2,294,064	2,169,694
Total functional expenses	\$ 6,715,150	\$ 451,257	\$1,511,621	\$8,678,028	\$8,217,342

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, 2012

	Program Services	Administrative and General	Fundraising	2012
Amortization	\$ -	\$ 7,033	\$ -	\$ 7,033
Annuity interest	-	2,048	-	2,048
Bad debt	212,429	-	-	212,429
Bank and investment fees	-	30,199	-	30,199
Banquet	146,707	-	-	146,707
Camps	42,780	-	-	42,780
Conference, seminars and meetings	957	11,738	9,305	22,000
Cultivation and acquisition	87,388	-	840,312	927,700
Depreciation	443,765	52,208	26,104	522,077
Equipment lease and maintenance	60,996	7,490	20,791	89,277
Food purchases	181,154	64	-	181,218
Insurance	63,731	32,645	-	96,376
Interest	100,471	13,577	21,723	135,771
Memberships and subscriptions	8,201	2,400	2,285	12,886
Loss on disposal of equipment	71,490	7,943	-	79,433
Newsletter expenses	125,682	-	-	125,682
Printing, postage and shipping	25	180	115	320
Professional and contractual services	50,474	76,952	1,400	128,826
Public awareness	40,606	62	1,285	41,953
Rent	81,600	-	-	81,600
Repairs and maintenance - building	205,528	12,531	-	218,059
Residents' assistance	59,749	-	-	59,749
Salaries and related expenses	1,932,826	257,569	263,843	2,454,238
Special events	753	-	5,079	5,832
Supplies	34,049	12,318	3,099	49,466
Telephone and communications	26,561	8,617	4,400	39,578
Travel and entertainment	174	3,747	319	4,240
Utilities	229,688	12,816	26,945	269,449
Vehicles	60,394	328	-	60,722
Subtotal	<u>4,268,178</u>	<u>552,465</u>	<u>1,227,005</u>	<u>6,047,648</u>
Non-cash distributions:				
Donated merchandise distribution	463,599	-	-	463,599
Donated professional services distribution	498,173	-	-	498,173
Donated food distribution	1,207,922	-	-	1,207,922
Subtotal - Non-cash distributions	<u>2,169,694</u>	<u>-</u>	<u>-</u>	<u>2,169,694</u>
Total functional expenses	<u>\$ 6,437,872</u>	<u>\$ 552,465</u>	<u>\$ 1,227,005</u>	<u>\$ 8,217,342</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>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 899,175	\$ 403,345
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization	10,738	7,033
Bad debt	12,128	212,429
Depreciation	551,280	522,077
Loss on disposal of property and equipment	34,285	79,433
Unrealized gain on investments	(123,328)	(34,228)
Gain on sale of investments	(1,897)	(341)
Changes in operating assets and liabilities:		
Decrease (Increase) in:		
Accounts receivable	90,605	(156,974)
Grants receivable	327,434	(446,421)
Capital campaign pledges receivable	60,612	216,545
Prepaid expenses and other current assets	20,081	6,266
(Decrease) increase in:		
Accounts payable	28,476	(15,240)
Accrued expenses and other current liabilities	(102,926)	36,190
Deferred grant revenue	(35,085)	(31,994)
Net cash provided by operating activities	<u>1,771,578</u>	<u>798,120</u>
Cash flows from investing activities:		
Purchase of investments	(109,778)	(239,869)
Proceeds from sale of investments	60,667	25,304
Purchase of property and equipment	(107,260)	(1,837,737)
Net cash used in investing activities	<u>(156,371)</u>	<u>(2,052,302)</u>
Cash flows from financing activities:		
Net proceeds received from lines of credit	-	500,090
Repayments - lines of credit	(500,090)	-
Repayments - long-term debt	(208,049)	(116,844)
Loan acquisition costs paid	-	(26,518)
Payments on annuities payable	(6,659)	(6,277)
Net cash (used in) provided by financing activities	<u>(714,798)</u>	<u>350,451</u>
Net increase (decrease) in cash and cash equivalents	900,409	(903,731)
Cash and cash equivalents, beginning of year	<u>675,833</u>	<u>1,579,564</u>
Cash and cash equivalents, end of year	<u>\$ 1,576,242</u>	<u>\$ 675,833</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, 2013 and 2012

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 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 was 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 operated primarily on funds received from placement fees. This Organization ceased operations in July 2012.

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”. Helping Up Mission, Inc. and House of Freedom, Inc. are governed by the same Board of Directors. New Creations Staffing Solutions, Inc. has a separate Board of Directors, but is under the direct control of Helping Up Mission, Inc.. 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, 2013 and 2012

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

Basis of Presentation (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, 2013 and 2012, the Organizations had temporarily restricted net assets totaling \$40,020 and \$26,453, 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, 2013 and 2012, 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, 2013 and 2012 was \$1,265,217 and \$294,348, 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 various partner organizations, 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, 2013 and 2012

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 \$19,453 and \$8,625 at June 30, 2013 and 2012, respectively. Bad debt expense for the years ended June 30, 2013 and 2012 was \$10,828 and \$42,429, respectively. The balance of bad debt expense for the year ended June 30, 2013 and 2012 on the Statements of Functional Expenses also includes amounts related to uncollectible capital campaign pledges receivable referenced in Note 2.

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 certificates of deposits and mutual funds currently held by the Organizations are considered to be level 1.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

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

Fair Value Measurements (continued)

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.

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 4.00% and 5.25% discount rate at June 30, 2013 and 2012, respectively. 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." 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."

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, 2013 and 2012

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

Property and Equipment and Depreciation (continued)

Depreciation expense was \$551,280 and \$522,077 for the years ended June 30, 2013 and 2012, 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 \$56,156 at June 30, 2013 and 2012. These costs are being amortized over the life of the related loans (60 months) starting in 2009 and 2012, respectively, using the straight-line method. Accumulated amortization totaled \$29,133 and \$18,395 for the years ended June 30, 2013 and 2012, respectively. Amortization expense relating to these loan costs totaled \$10,738 and \$7,033 for the years ended June 30, 2013 and 2012, respectively. Amortization expense is expected to be \$11,232 for the year ended June 30, 2014, \$6,290 for the year ended June 30, 2015; \$5,304 for the year ended June 30, 2016 and \$4,197 for the year ended June 30, 2017.

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. 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. 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.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

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 Organizations account for income tax provisions in accordance with Financial Accounting Standards Board Accounting Standards Concept Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The Organizations believe that its income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves, or related accruals for interest and penalties, at June 30, 2013 and 2012 for uncertain income tax positions. The Organizations continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organizations have adopted a policy under which, if required to be recognized in the future, will classify interest related to the underpayment of income taxes as a component of interest expense, and will classify any related penalties in general and administrative expenses in the Consolidated Statements of Functional Expenses and Statements of Activities. With few exceptions, the Organizations are no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years ending before June 30, 2010.

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 2012 have been reclassified to conform to the 2013 presentation with no effect on previously reported net assets or changes in net assets.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

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

Advertising

The Organizations expense advertising costs the first time the advertising takes place. The amounts charged to advertising expense totaled \$38,785 and \$41,375 for the years ended June 30, 2013 and 2012, respectively. Advertising expense is included in "public awareness" in the Statements of Functional Expenses.

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, 2013 and 2012 is recorded at the present value of the expected future cash flows discounted at 4.00% and 5.25%, respectively.

Pledges receivable consist of the following at June 30:	<u>2013</u>	<u>2012</u>
Pledges receivable	\$ 210,000	\$ 278,800
Less: unamortized discount	<u>(17,615)</u>	<u>(25,803)</u>
Total	<u>\$ 192,385</u>	<u>\$ 252,997</u>

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

	<u>2013</u>	<u>2012</u>
Capital campaign pledges receivables - current	\$ 62,455	\$ 78,859
Capital campaign pledges receivables - noncurrent	<u>129,930</u>	<u>174,138</u>
	<u>\$ 192,385</u>	<u>\$ 252,997</u>
Amounts due in:		
Less than one year	\$ 65,000	\$ 83,100
One to five years	<u>145,000</u>	<u>195,700</u>
Total	<u>\$ 210,000</u>	<u>\$ 278,800</u>

Management evaluates the collectability of pledges receivable based on historical payment patterns and continued correspondence with donors. During 2013 and 2012, pledges totaling \$1,300 and \$170,000 were deemed uncollectible by management. This amount has been included in "bad debt expense" in the accompanying financial statements. Management considers all other pledges to be fully collectible at June 30, 2013.

The discount rate was reduced from 5.25% to 4.00% during 2013 due to the lowering of the Organization's borrowing rate.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

3. Investments

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

<u>2013</u>	<u>Cost</u>	<u>Net-Unrealized Appreciation</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 931,673</u>	<u>\$ 307,718</u>	<u>\$ 1,239,391</u>

<u>2012</u>	<u>Cost</u>	<u>Net-Unrealized Appreciation</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 881,253</u>	<u>\$ 184,390</u>	<u>\$ 1,065,643</u>

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

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 52,061	\$ 16,331
Gain on sale of investments	1,897	341
Change in unrealized appreciation on investments	<u>123,328</u>	<u>34,228</u>
Total return on investments	<u>\$ 177,286</u>	<u>\$ 50,900</u>

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

	<u>2013</u>	<u>2012</u>
Non-operating support - Investment income	<u>\$ 177,286</u>	<u>\$ 50,900</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 any investment portfolio losses to be temporary.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

4. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Quoted Prices in Inactive Markets (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 1,239,391	\$ 1,239,391	\$ -	\$ -
Certificates of deposit	52,239	52,239	-	-
Pledges receivable	<u>192,385</u>	<u>-</u>	<u>-</u>	<u>192,385</u>
Total assets	<u>\$ 1,484,015</u>	<u>\$ 1,291,630</u>	<u>\$ -</u>	<u>\$ 192,385</u>

The table below presents information about the change in the pledges receivable (level 3), which is measured at fair value on a recurring basis using significant unobservable inputs:

Balance, July 1, 2012	\$ 252,997
Decrease in discount on pledges receivable	8,188
Bad debt	(1,300)
Receipts from pledges	<u>(67,500)</u>
Balance, June 30, 2013	<u>\$ 192,385</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 \$179,874 outstanding on this line of credit at June 30, 2012. The line of credit was paid off during June 30, 2013, but remains open at year end.

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 no equipment loans outstanding as of June 30, 2013 and 2012. The amount available under this line of credit was \$100,000 at June 30, 2013 and 2012, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

5. Lines of Credit (continued)

Helping Up Mission, Inc. also has an available line of credit authorized to \$1,300,000 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 4% per annum. Beginning July 1, 2013, Helping Up Mission, Inc. is required to repay the balance outstanding in twelve consecutive monthly installments of principal and interest, based on a twenty-five year amortization schedule. The entire unpaid principal balance, plus any unpaid accrued interest is due upon the maturity date on June 1, 2014. Beginning on July 1, 2013, the interest rate specified in the loan agreement increases to a fixed rate equal to 275 basis points over the 5 year Treasury Rate per annum, with a floor of 5.5%. There was \$320,216 outstanding on this line of credit at June 30, 2012. A portion of this line of credit has been included as long-term liabilities due to the payment schedule noted above. The line of credit was paid off during June 30, 2013, but will remain open until maturity.

6. Long-Term Debt

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 on 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 \$1,310,104 and \$1,335,813 at June 30, 2013 and 2012, 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, 2013 and 2012, respectively. The outstanding balance on this loan was \$431,755 and \$614,095 at June 30, 2013 and 2012, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

6. Long-Term Debt (continued)

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

Years Ending June 30,	Amount
2014	\$ 117,663
2015	1,378,899
2016	<u>245,297</u>
Total	<u>\$ 1,741,859</u>

Consolidated interest expense on the long-term debt and lines of credit was \$124,128 and \$135,771 for the years ended June 30, 2013 and 2012, respectively on this debt.

In August 2013, the above two loans were refinanced. See subsequent event Note 14 for more details.

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, 2013 are \$22,345. 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, 2013 and 2012, 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
2014	\$ 7,063
2015	7,492
2016	5,971
2017	<u>1,819</u>
Total	<u>\$ 22,345</u>

Interest expense related to annuities payable totaled \$1,667 and \$2,048 for the years ended June 30, 2013 and 2012, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

8. Program Fees

Program fees consist of the following for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Lodging	\$ 1,273,822	\$ 1,035,387
Food stamps	386,284	324,476
Temporary disability assistance	<u>242,593</u>	<u>269,519</u>
	<u>\$ 1,902,699</u>	<u>\$ 1,629,382</u>

9. Rental Income

A small portion of Helping Up Mission, Inc. and Subsidiaries office space at 1029 E. Baltimore Street is leased to outside tenants under non-cancelable operating leases. The leases have consolidated monthly rental payments of \$3,571 and expire at various times during the year ended June 30, 2014. The leases include provisions for automatic renewal unless written notice is provided to the other party ninety days before the renewal date. Rental income totaled \$38,927 and \$29,333 for the years ended June 30, 2013 and 2012, respectively. The cost of 1029 E. Baltimore Street was \$6,428,745 at June 30, 2013 and 2012, and accumulated depreciation totaled \$612,515 and \$912,480 at June 30, 2013 and 2012, respectively. The portion of the building being rented is diminutive.

10. Commitments

Operating Leases

Helping Up Mission, Inc. entered into an 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 this equipment lease for the years ended June 30, 2013 and 2012 were \$57,090 and \$50,743, 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. The lease expires in February 2015. Base monthly rent is \$3,700 with no annual escalation in future years.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

10. Commitments (continued)

Operating Leases (continued)

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, expiring December 2014, 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, 2013 and 2012 were \$81,600.

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, 2013 are as follows:

Years Ending June 30,	Amount
2014	\$ 109,692
2015	<u>72,305</u>
Total	<u>\$ 181,997</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 \$82,978 and \$75,991 at June 30, 2013 and 2012, respectively, and is included in the balance of “accrued expenses” on the Consolidated Statements of Financial Position.

Grant Commitments

In September 2011, House of Freedom, Inc. was awarded a grant from The Department of Housing and Community Development in the amount of \$740,838. The grant is to be used for the construction, repair, renovation and capital equipping of 1031 East Baltimore Street. The Organizations must use this building as a shelter, transitional or other housing facility for the homeless, for a period of not less than fifteen years (through 2027). If the properties are sold, transferred, or not used for the specified purpose prior to the year 2027, House of Freedom, Inc. must repay the grant in full. House of Freedom, Inc. has recognized revenue under this grant of \$74,084 and \$666,754 during the years ended June 30, 2013 and 2012, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

10. Commitments (continued)

Grant Commitments (continued)

Helping Up Mission, Inc. was awarded a grant from the State of Maryland, Board of Public Works for an amount not to exceed \$200,000, provided Helping Up Mission meets certain matching requirements. The grant is to be used for the construction, repair and renovation of 1031 East Baltimore Street. Under the terms of the agreement, Helping Up Mission may not sell, lease, exchange or give away any interest in the real or personal property acquired with the grant funds without prior written consent of the Board of Public Works. If the Board of Public Works permits the transfer or disposition, Helping Up Mission may be required to repay the State the percentage of the proceeds allocable to the grant. Helping Up Mission recognized revenue under this grant of \$200,000 during the year ended June 30, 2012.

In June 2006, Helping Up Mission, Inc. was awarded a conditional promise to give from FHLBank Atlanta, a Federal Home Loan Bank, in the amount of \$500,000. The grant was to be used to support capital costs for the renovations to 1023 East Baltimore Street and provide additional beds for emergency shelter for homeless men in Baltimore City. Helping Up Mission, Inc. met all the requirements under this grant agreement and the grant was recognized as revenue in years prior to June 30, 2013. 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 a period of fifteen years, expiring in 2021.

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. All conditions were met and the entire amount of the grant was recognized as revenue in years prior to June 30, 2013. Under the terms of the grant agreement, Helping Up Mission must have prior approval from The Harry and Jeanette Weinberg Foundation to sell or transfer ownership of the property through the year 2031. The proceeds received from any sale must be used for the construction or purchase of a replacement property.

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 was 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. Helping Up Mission, Inc. met all the requirements under this grant agreement and the grant was recognized as revenue in years prior to June 30, 2013. 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 a period of fifteen years, expiring in 2026.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

10. Commitments (continued)

Grant Commitments (continued)

In December 2010, Helping Up Mission, Inc. was awarded another conditional promise to give from FHLBank Atlanta in the amount of \$1,000,000. The grant is to be used to support capital costs for the renovations to 1031 East Baltimore Street. The grant provides for payment in full on the conditions that the Organization complete construction at 1031 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 a period of fifteen years, expiring in 2028. For the year ended June 30, 2013, Helping Up Mission, Inc. met all requirements under the grant agreement and \$1,000,000 has been recorded as revenue.

Building Commitment

In June 2013, Helping Up Mission, Inc. entered into a purchase and sale agreement for property located at 1200 E. Fayette Street. The purchase price totals \$3,750,000; however, there is a provision in the agreement for forgiveness of a portion of the purchase price totaling up to \$1,750,000, based on commencement, completion and occupancy of the Building. The agreement contains a 90 day feasibility period (expiring September 28, 2013), during which time Helping Up Mission can evaluate the building, the renovations that will be required and the necessary zoning requirements. If, at the end of the feasibility period, Helping Up Mission determines that purchasing the property is not feasible, Helping Up Mission can terminate the agreement by providing written notice to the Seller prior to the expiration of the feasibility period. Helping Up Mission paid a \$500,000 deposit in July 2013 related to this purchase (subsequent to year end). A portion of this deposit will become non-refundable if Helping Up Mission extends the feasibility period. See note 14 for subsequent event related to this commitment.

11. Temporarily Restricted Net Assets

Helping Up Mission, Inc. solicits funds to support the costs of purchasing and renovating various buildings. Total contributions and pledges generated from these activities during 2013 and 2012 totaled \$1,074,084 and \$866,754, respectively, and were classified as "temporarily restricted net assets" in the Consolidated Statements of Activities. As of June 30, 2013 and 2012, there were no unexpended costs relating to purchasing and renovating various buildings. Temporarily restricted net assets represents funds received for various medical and other needs of program members at June 30, 2013 and 2012.

12. Supplemental Disclosure of Cash Flow Information

Cash paid for interest totaled \$123,420 and \$135,771 for the years ended June 30, 2013 and 2012, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

12. Supplemental Disclosure of Cash Flow Information (continued)

During the years ended June 30, 2013 and 2012, the Organization received \$58,770 and \$24,964 of stock donations. For the years ended June 30, 2012 and 2011, the donations were included in the "Support and Revenue" section of the Consolidated Statements of Activities.

13. Retirement Plan

Helping Up Mission, Inc. sponsors and contributes to an employee Simple IRA plan. Contributions to this Plan totaled \$36,155 and \$27,870 for the years ended June 30, 2013 and 2012, respectively.

14. Subsequent Events

In August 2013, the construction loan with Susquehanna Bank was refinanced. The repayment terms are based on a twenty year amortization schedule, with payment of \$2,579, including interest at 3.98%, due monthly beginning September 1, 2013. Any unpaid principal and accrued interest is due upon maturity of the loan on August 1, 2018.

In August 2013, the loan with Farmer's and Merchant bank was refinanced through Susquehanna Bank. The repayment terms are based on a twenty year amortization schedule, with payments of \$7,994, including interest at 3.98% due monthly beginning October 1, 2013. Any unpaid principal and accrued interest is due upon maturity of the loan on September 1, 2018. The loan contains certain restrictive financial covenants.

Future minimum principal payments for the above refinanced debt are as follows:

Years Ending June 30,	Amount
2014	\$ 42,092
2015	59,583
2016	61,854
2017	64,575
2018	67,229
Thereafter	<u>1,441,526</u>
Total	<u>\$ 1,736,859</u>

As discussed in Note 10 to the financial statements, Helping Up Mission paid \$500,000 subsequent to year-end as a deposit on the \$3,750,000 purchase price for 1200 E. Fayette Street. Prior to the expiration of the feasibility period, Helping Up Mission, Inc. determined it would not be feasible to proceed with the purchase of the building. The entire \$500,000 deposit paid was refunded to Helping Up Mission, Inc. in October 2013.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2013 and 2012

14. Subsequent Events (continued)

Subsequent events were evaluated through October 15, 2013, the date the financial statements were available to be issued.