

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

**Audited Consolidated
Financial Statements**

June 30, 2014 and 2013

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Independent Auditor's Report

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

Report on the Financial Statements

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 statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, 2014 and 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.

Fitzpatrick, Lang, Szabo, LLC

Timonium, MD
September 30, 2014

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Financial Position

June 30,	<u>2014</u>	<u>2013</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,339,573	\$ 1,576,242
Certificates of deposit	-	52,239
Accounts receivable, net of allowance	112,408	90,810
Grant receivable	-	120,000
Capital campaign pledges receivable	-	62,455
Prepaid expenses	50,822	20,970
Total current assets	<u>1,502,803</u>	<u>1,922,716</u>
Property and Equipment:		
Buildings and improvements	15,779,301	15,587,078
Furniture and equipment	782,362	742,162
Vehicles	145,918	145,918
Total	16,707,581	16,475,158
Less accumulated depreciation	<u>3,502,270</u>	<u>2,964,776</u>
	13,205,311	13,510,382
Land	400,500	400,500
Construction in progress	24,473	-
Net property and equipment	<u>13,630,284</u>	<u>13,910,882</u>
Other Assets:		
Investments	1,922,852	1,239,391
Capital campaign pledges receivable - noncurrent	-	129,930
Loan costs - net of accumulated amortization of \$2,142 - 2014 and \$29,133 - 2013	10,705	27,023
Security deposits	3,100	3,100
Total other assets	<u>1,936,657</u>	<u>1,399,444</u>
Total Assets	<u>\$ 17,069,744</u>	<u>\$ 17,233,042</u>

	<u>2014</u>	<u>2013</u>
Liabilities and Net Assets		
Current Liabilities:		
Current maturities of long-term debt	\$ 59,746	\$ 117,663
Current maturities of annuities payable	7,492	7,063
Accounts payable	67,165	96,206
Accrued expenses and other current liabilities	116,108	82,978
Deferred revenue	<u>5,000</u>	<u>17,921</u>
Total current liabilities	<u>255,511</u>	<u>321,831</u>
Long-Term Liabilities:		
Long-term debt	1,621,355	1,624,196
Annuities payable	<u>7,790</u>	<u>15,282</u>
Total long-term liabilities	<u>1,629,145</u>	<u>1,639,478</u>
Total liabilities	<u>1,884,656</u>	<u>1,961,309</u>
Net Assets:		
Unrestricted	15,072,994	15,231,713
Temporarily restricted	<u>112,094</u>	<u>40,020</u>
Total net assets	<u>15,185,088</u>	<u>15,271,733</u>
Total Liabilities and Net Assets	<u>\$ 17,069,744</u>	<u>\$ 17,233,042</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,

2014

2013

Unrestricted Net Assets

Support and Revenue

Support:

Contributions and gifts

\$ 3,772,475 \$ 3,555,941

In-kind donations

2,458,284 2,320,191

Total support

6,230,759 5,876,132

Revenue:

Program fees

2,029,571 1,902,699

Placement service fees

- 18,944

Rental income

45,602 38,927

Other income

22,410 13,870

Total revenue

2,097,583 1,974,440

Total support and revenue

8,328,342 7,850,572

Functional Expenses:

Program services

6,819,640 6,715,150

Administrative and general

525,019 451,257

Fundraising

1,654,928 1,511,621

Total functional expenses

8,999,587 8,678,028

Decrease in net assets from operations

(671,245) (827,456)

Non-operating support - Investment income

252,621 177,286

Net assets released from restriction

259,905 1,535,778

(Decrease) increase in unrestricted net assets

(158,719) 885,608

Temporarily Restricted Net Assets

Contributions, pledges and grants

331,979 1,549,345

Net assets released from restrictions

(259,905) (1,535,778)

Increase in temporarily restricted net assets

72,074 13,567

(Decrease) increase in total net assets

(86,645) 899,175

Net assets, beginning of year

15,271,733 14,372,558

Net assets, end of year

\$ 15,185,088 \$ 15,271,733

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, 2014 (with comparative totals for 2013)

	Program Services	Administrative and General	Fundraising	Total	
				2014	2013
Amortization	\$ -	\$ 29,163	\$ -	\$ 29,163	\$ 10,738
Annuity interest	-	1,262	-	1,262	1,667
Bad debt	-	-	-	-	12,128
Bank and investment fees	150	28,751	30	28,931	44,378
Banquet	130,595	-	6,507	137,102	126,521
Bed bug remediation project	114,066	-	-	114,066	322,491
Camps	47,390	-	-	47,390	46,216
Conference, seminars and meetings	7,313	20,349	12,085	39,747	23,181
Cultivation and acquisition	-	-	1,032,459	1,032,459	968,087
Depreciation	551,646	3,656	1,833	557,135	551,280
Equipment lease and maintenance	59,323	9,365	30,695	99,383	95,533
Kitchen	269,314	86	1,085	270,485	192,669
Housekeeping	55,032	27	-	55,059	51,432
Insurance	78,033	33,443	-	111,476	112,913
Interest	74,929	-	-	74,929	124,128
Memberships and subscriptions	10,756	4,537	1,502	16,795	12,820
Loss on disposal of equipment	20,908	2,220	-	23,128	34,285
Newsletter expenses	114,019	-	7,221	121,240	126,234
Printing, postage and shipping	1,690	1,079	806	3,575	4,134
Professional and contractual services	94,037	52,069	3,670	149,776	138,022
Public awareness	-	-	108,254	108,254	47,473
Occupancy cost	122,604	146	-	122,750	124,393
Repairs and maintenance - building	192,912	17,594	1,273	211,779	137,417
Residents' assistance	125,317	56	-	125,373	140,697
Salaries and related expenses	1,832,018	303,394	426,152	2,561,564	2,458,626
Special events	-	-	9,002	9,002	10,150
Supplies	27,272	4,376	2,412	34,060	41,463
Telephone and communication	36,254	7,687	7,907	51,848	56,802
Travel and entertainment	139	3,902	355	4,396	5,754
Utilities	334,846	784	1,566	337,196	283,702
Women's program	36,195	-	-	36,195	25,852
Vehicles	39,412	1,073	114	40,599	52,778
Subtotal	4,376,170	525,019	1,654,928	6,556,117	6,383,964
Non-cash distributions:					
Donated merchandise distribution	759,358	-	-	759,358	582,307
Donated professional services distribution	584,391	-	-	584,391	577,075
Donated food distribution	1,099,721	-	-	1,099,721	1,134,682
Subtotal - Non-cash distributions	2,443,470	-	-	2,443,470	2,294,064
Total functional expenses	\$ 6,819,640	\$ 525,019	\$ 1,654,928	\$ 8,999,587	\$ 8,678,028

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

	Program Services	Administrative and General	Fundraising	2013
Amortization	\$ -	\$ 10,738	\$ -	\$ 10,738
Annuity interest	-	1,667	-	1,667
Bad debt	12,128	-	-	12,128
Bank and investment fees	13,709	30,669	-	44,378
Banquet	125,045	-	1,476	126,521
Bed bug remediation project	322,491	-	-	322,491
Camps	46,216	-	-	46,216
Conference, seminars and meetings	2,115	9,238	11,828	23,181
Cultivation and acquisition	14,931	-	953,156	968,087
Depreciation	468,588	55,128	27,564	551,280
Equipment lease and maintenance	61,254	8,812	25,467	95,533
Kitchen	192,164	42	463	192,669
Housekeeping	51,432	-	-	51,432
Insurance	80,447	32,466	-	112,913
Interest	93,096	11,172	19,860	124,128
Memberships and subscriptions	6,018	5,356	1,446	12,820
Loss on disposal of equipment	32,292	1,993	-	34,285
Newsletter expenses	126,234	-	-	126,234
Printing, postage and shipping	1,368	576	2,190	4,134
Professional and contractual services	83,818	49,627	4,577	138,022
Public awareness	41,926	97	5,450	47,473
Occupancy cost	124,393	-	-	124,393
Repairs and maintenance - building	129,496	7,845	76	137,417
Residents' assistance	140,600	24	73	140,697
Salaries and related expenses	1,887,275	185,130	386,221	2,458,626
Special events	112	-	10,038	10,150
Supplies	30,150	9,965	1,348	41,463
Telephone and communication	41,202	8,801	6,799	56,802
Travel and entertainment	60	5,475	219	5,754
Utilities	241,812	13,520	28,370	283,702
Women's program	852	-	25,000	25,852
Vehicles	49,862	2,916	-	52,778
Subtotal	4,421,086	451,257	1,511,621	6,383,964
Non-cash distributions:				
Donated merchandise distribution	582,307	-	-	582,307
Donated professional services distribution	577,075	-	-	577,075
Donated food distribution	1,134,682	-	-	1,134,682
Subtotal - Non-cash distributions	2,294,064	-	-	2,294,064
Total functional expenses	\$ 6,715,150	\$ 451,257	\$ 1,511,621	\$ 8,678,028

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>2014</u>	<u>2013</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (86,645)	\$ 899,175
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Amortization	29,163	10,738
Bad debt	-	12,128
Depreciation	557,135	551,280
Loss on disposal of property and equipment	23,128	34,285
Unrealized gain on investments	(195,370)	(123,328)
Loss (gain) on sale of investments	292	(1,897)
Capitalized interest from debt refinance	4,834	-
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(21,598)	90,605
Grants receivable	120,000	327,434
Capital campaign pledges receivable	192,385	60,612
Prepaid expenses	(29,852)	20,081
(Decrease) increase in:		
Accounts payable	(29,041)	28,476
Accrued expenses and other current liabilities	33,130	(102,926)
Deferred revenue	(12,921)	(35,085)
Net cash provided by operating activities	<u>584,640</u>	<u>1,771,578</u>
Cash flows from investing activities:		
Purchase of investments	(511,922)	(109,778)
Proceeds from sale of investments	75,778	60,667
Purchase of property and equipment	(304,728)	(107,260)
Proceeds from sale of property and equipment	5,063	-
Net cash used in investing activities	<u>(735,809)</u>	<u>(156,371)</u>
Cash flows from financing activities:		
Repayments - lines of credit	-	(500,090)
Repayments - long-term debt	(65,592)	(208,049)
Loan acquisition costs paid	(12,845)	-
Payments on annuities payable	(7,063)	(6,659)
Net cash used in financing activities	<u>(85,500)</u>	<u>(714,798)</u>
Net (decrease) increase in cash and cash equivalents	(236,669)	900,409
Cash and cash equivalents, beginning of year	<u>1,576,242</u>	<u>675,833</u>
Cash and cash equivalents, end of year	<u>\$ 1,339,573</u>	<u>\$ 1,576,242</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, 2014 and 2013

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 those experiencing homelessness 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 and was closed out during June 2014.

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. had a separate Board of Directors, but was 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, 2014 and 2013

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, 2014 and 2013, the Organizations had temporarily restricted net assets totaling \$112,094 and \$40,020, 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, 2014 and 2013, 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, 2014 and 2013 was \$1,175,102 and \$1,265,217, 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 60 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, 2014 and 2013

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 \$-0- and \$19,453 at June 30, 2014 and 2013, respectively. Bad debt expense for the years ended June 30, 2014 and 2013 was \$-0- and \$10,828, respectively. The balance of bad debt expense for the year ended June 30, 2013 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 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, 2014 and 2013

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% discount rate at June 30, 2013. The discount rate was determined by reference to the Organizations' borrowing rate and the Federal Rate in effect during that year. There are no outstanding capital campaign pledges at June 30, 2014.

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, 2014 and 2013

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

Property and Equipment and Depreciation (continued)

Depreciation expense was \$557,135 and \$551,280 for the years ended June 30, 2014 and 2013, 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 new loan costs of \$12,847 at June 30, 2014. These costs are being amortized over the life of the related loans (60 months), using the straight-line method. Accumulated amortization totaled \$2,142 for the year ended June 30, 2014. Old loan costs consisting of \$56,156 with accumulated amortization of \$29,133 at June 30, 2013 were written off during June 30, 2014 because the related loans were paid off with the issuance of new loans. Amortization expense relating to these loan costs (including write-off of loan costs associated with loans that were paid-off) totaled \$29,163 and \$10,738 for the years ended June 30, 2014 and 2013, respectively. Amortization expense is expected to be \$2,569 for the years ended June 30, 2015 through June 30, 2018, and \$429 for the year ended June 30, 2019.

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, 2014 and 2013

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, 2014 and 2013 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, 2011.

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 2013 have been reclassified to conform to the 2014 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, 2014 and 2013

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 \$71,690 and \$41,375 for the years ended June 30, 2014 and 2013, respectively. Advertising expense is included in "public awareness" in the Statements of Functional Expenses.

2. Capital Campaign Pledges Receivable

The Organizations conducted a capital campaign to raise funds to support the Organizations' purchase and renovation of new buildings to be used in future operations. The pledges were payable over a one to five year period. The total amount expected to be received at June 30, 2013 was recorded at the present value of the expected future cash flows discounted at 4.00%. All remaining pledge payments were received in full during the year ended June 30, 2014.

Pledges receivable consist of the following at June 30:	<u>2014</u>	<u>2013</u>
Pledges receivable	\$ -	\$ 210,000
Less: unamortized discount	-	(17,615)
Total	<u>\$ -</u>	<u>\$ 192,385</u>

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

	<u>2014</u>	<u>2013</u>
Capital campaign pledges receivables - current	\$ -	\$ 62,455
Capital campaign pledges receivables - noncurrent	-	129,930
	<u>\$ -</u>	<u>\$ 192,385</u>
Amounts due in:		
Less than one year	\$ -	\$ 65,000
One to five years	-	145,000
Total	<u>\$ -</u>	<u>\$ 210,000</u>

During 2013, pledges totaling \$1,300 were deemed uncollectible by management. This amount was included in "bad debt expenses" in the accompanying financial statements.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2014 and 2013

3. Investments

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

<u>2014</u>	<u>Cost</u>	<u>Net-Unrealized Appreciation</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 1,419,763</u>	<u>\$ 503,089</u>	<u>\$ 1,922,852</u>
 <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>

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

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 57,543	\$ 52,061
(Loss) gain on sale of investments	(292)	1,897
Change in unrealized appreciation on investments	<u>195,370</u>	<u>123,328</u>
Total return on investments	<u>\$ 252,621</u>	<u>\$ 177,286</u>

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

	<u>2014</u>	<u>2013</u>
Non-operating support - Investment income	<u>\$ 252,621</u>	<u>\$ 177,286</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, 2014 and 2013

4. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2014 and 2013 are as follows:

		Quoted Prices in Active Markets (Level 1)	Quoted Prices in Inactive Markets (Level 2)	Significant Unobservable Inputs (Level 3)
2014	<u>Fair Value</u>			
Mutual funds	<u>\$ 1,922,852</u>	<u>\$ 1,922,852</u>	<u>\$ -</u>	<u>\$ -</u>
		Quoted Prices in Active Markets (Level 1)	Quoted Prices in Inactive Markets (Level 2)	Significant Unobservable Inputs (Level 3)
2013	<u>Fair Value</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
Change in discount on pledges receivable	8,188
Bad debt	(1,300)
Receipts from pledges	<u>(67,500)</u>
Balance, July 1, 2013	192,385
Change in discount on pledges receivable	17,615
Receipts from pledges	<u>(210,000)</u>
Balance, June 30, 2014	<u>\$ -</u>

The decrease of the discount on pledges receivable totaling \$17,615 and \$8,188 at June 30, 2014 and 2013, respectively, is included with temporarily restricted "contributions, pledges and grants" on the Consolidated Statements of Activities.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2014 and 2013

5. Lines of Credit

Helping Up Mission, Inc. has 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, 2014 and 2013. The amount available under this line of credit was \$100,000 at June 30, 2014 and 2013, respectively.

Helping Up Mission, Inc. has an available line of credit authorized up 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. There was no balance outstanding on this line of credit at June 30, 2014 and 2013, respectively, and this line of credit remains open at year end.

6. Long-Term Debt

Helping Up Mission, Inc. obtained a loan with Farmers & Merchants Bank in October of 2003, refinancing in 2005 and 2010, for \$1,400,000, to be drawn as necessary, to provide additional financing for renovations to 1017 East Baltimore Street. Monthly principal and interest payments of \$9,609, including interest at 6.75%, were required under the loan agreement with all unpaid principal and interest due and payable in March 2015. This loan was refinanced with Susquehanna Bank during the year ended June 30, 2014. Under the terms of the new loan agreement, monthly installments totaling \$7,989, including interest at 3.98%, are now required with the unpaid principal balance of the loan due in September 2018. A security interest on 1017 East Baltimore Street secures this debt, and House of Freedom, Inc. is a guarantor of the loan. The outstanding loan balance for this term loan was \$1,277,696 and \$1,310,104 at June 30, 2014 and 2013, respectively.

In July of 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 could be advanced from time to time upon the Borrower's request during the construction period. Monthly principal and interest payments of \$10,198 were required under the loan agreement, using a 25-year amortization schedule, with all unpaid principal and interest due and payable on September 1, 2015. The interest rate was equal to 275 basis points over the five-year Treasury Rate as published in the Wall Street Journal, with a floor of 6.6%. This loan was refinanced with the same bank during the year ended June 30, 2014. Monthly installments totaling \$2,979, including interest at 3.98%, are now required with the unpaid principal balance of the loan due in September 2018. The outstanding balance on this loan was \$403,405 and \$431,755 at June 30, 2014 and 2013, respectively.

The above loan contains certain financial covenants which were met as of June 30, 2014 and 2013, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2014 and 2013

6. Long-Term Debt (continued)

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

Years Ending June 30,	Amount
2015	\$ 59,746
2016	63,455
2017	66,028
2018	68,704
2019	1,423,168
Total	<u>\$ 1,681,101</u>

Consolidated interest expense on the long-term debt and lines of credit was \$74,929 and \$124,128 for the years ended June 30, 2014 and 2013, respectively on this debt.

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, 2014 are \$15,282. 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, 2014 and 2013, 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
2015	7,492
2016	5,971
2017	1,819
Total	<u>\$ 15,282</u>

Interest expense related to annuities payable totaled \$1,262 and \$1,667 for the years ended June 30, 2014 and 2013, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2014 and 2013

8. Program Fees

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

	<u>2014</u>	<u>2013</u>
Lodging	\$ 1,302,218	\$ 1,273,822
Food stamps	362,488	386,284
Temporary disability assistance	<u>364,865</u>	<u>242,593</u>
	<u>\$ 2,029,571</u>	<u>\$ 1,902,699</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 \$3,708. The leases include provisions for automatic one-year renewals unless written notice is provided to the other party ninety days before the renewal date. Rental income totaled \$45,602 and \$38,927 for the years ended June 30, 2014 and 2013, respectively. The cost of 1029 E. Baltimore Street was \$6,428,745 at June 30, 2014 and 2013, and accumulated depreciation totaled \$952,958 and \$612,515 at June 30, 2014 and 2013, 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, 2014 and 2013 were \$54,510 and \$57,090, respectively. These amounts have been included in "equipment lease and maintenance" in the accompanying Consolidated Statements of Functional Expenses.

Helping Up Mission, Inc. has 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 60-month lease, expiring 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, 2014 and 2013

10. Commitments (continued)

Operating Leases (continued)

Helping Up Mission, Inc. also has 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, 2014 and 2013 were \$81,490 and \$81,600, respectively, and are included in "occupancy cost" in the accompanying Consolidated Statements of Functional Expenses".

The aggregate minimum future rental payment for the year ended June 30, 2015 was \$72,305. There are no additional minimum future rental payments.

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 \$116,135 and \$82,978 at June 30, 2014 and 2013, respectively, and is included in the balance of "accrued expenses" on the Consolidated Statements of Financial Position.

Grant Commitments

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, 2014. 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 December 2006, 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, Inc. meets certain matching requirements. The grant was recognized as revenue in full in years prior to June 30, 2014. 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, Inc. 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, Inc. may be required to repay the State the percentage of the proceeds allocable to the grant.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2014 and 2013

10. Commitments (continued)

Grant Commitments (continued)

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, 2014. Under the terms of the grant agreement, Helping Up Mission, Inc. 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, 2014. 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.

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 was recorded as revenue.

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 was recognized as revenue in full in years prior to June 30, 2014. 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, expiring in 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.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2014 and 2013

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following on June 30:

	<u>2014</u>	<u>2013</u>
Dental services	\$ 10,372	\$ -
Art fund	947	660
Vocational services	-	15,480
Books and content	19,271	20,000
Foot care	1,192	1,192
Eye care	2,500	2,500
Camps	36,091	-
Furniture and equipment	41,533	-
Music fund	<u>188</u>	<u>188</u>
Total temporarily restricted net assets	<u>\$ 112,094</u>	<u>\$ 40,020</u>

12. Supplemental Disclosure of Cash Flow Information

Cash paid for interest totaled \$76,191 and \$123,420 for the years ended June 30, 2014 and 2013, respectively.

During the years ended June 30, 2014 and 2013, the Organization received \$76,069 and \$58,770 of stock donations. For the years ended June 30, 2014 and 2013, 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 \$37,570 and \$36,155 for the years ended June 30, 2014 and 2013, respectively.

14. Subsequent Events

Subsequent events were evaluated through September 30, 2014, the date the financial statements were available to be issued. There were no subsequent events noted for disclosure.