

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

**Audited Consolidated
Financial Statements**

June 30, 2016 and 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Helping Up Mission, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, cash flows, and functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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 Subsidiary as of June 30, 2016 and 2015, 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, Leary & Szarko, LLC

September 20, 2016
Timonium, MD

Helping Up Mission, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30,	<u>2016</u>	<u>2015</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,754,607	\$ 500,105
Accounts receivable, net of allowance	107,085	114,470
Grant receivable	200,000	-
Prepaid expenses	59,464	80,699
Total current assets	<u>2,121,156</u>	<u>695,274</u>
Property and Equipment:		
Buildings and improvements	15,840,173	15,792,377
Furniture and equipment	875,279	863,795
Vehicles	182,042	182,042
Total	16,897,494	16,838,214
Less accumulated depreciation	4,498,578	4,003,454
	12,398,916	12,834,760
Land	400,500	400,500
Construction in progress	102,431	121,166
Net property and equipment	<u>12,901,847</u>	<u>13,356,426</u>
Other Assets:		
Investments	3,075,341	2,836,770
Deposits	91,278	7,100
Total other assets	<u>3,166,619</u>	<u>2,843,870</u>
Total Assets	<u>\$ 18,189,622</u>	<u>\$ 16,895,570</u>

	<u>2016</u>	<u>2015</u>
Liabilities and Net Assets		
Current Liabilities:		
Current maturities of long-term debt	\$ 64,757	\$ 62,028
Current maturities of annuities payable	4,302	5,629
Accounts payable	130,713	32,848
Accrued expenses	140,468	136,221
Deferred rent liability	6,034	-
Total current liabilities	<u>346,274</u>	<u>236,726</u>
Long-Term Liabilities:		
Long-term debt	1,488,340	1,550,856
Annuities payable	47,530	50,339
Total long-term liabilities	<u>1,535,870</u>	<u>1,601,195</u>
Total liabilities	<u>1,882,144</u>	<u>1,837,921</u>
Net Assets:		
Unrestricted:		
Board-designated	937,256	-
Undesignated	14,289,013	14,985,777
Total unrestricted net assets	<u>15,226,269</u>	<u>14,985,777</u>
Temporarily restricted	1,081,209	71,872
Total net assets	<u>16,307,478</u>	<u>15,057,649</u>
Total Liabilities and Net Assets	<u><u>\$ 18,189,622</u></u>	<u><u>\$ 16,895,570</u></u>

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

Helping Up Mission, Inc. and Subsidiary

Consolidated Statements of Activities

For the years ended June 30, 2016 and 2015

	2016			2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:						
Support:						
Contributions and gifts	\$ 4,475,319	\$ 1,221,316	\$ 5,696,635	\$ 3,929,565	\$ 385,173	\$ 4,314,738
In-kind donations	2,782,697	-	2,782,697	2,337,483	-	2,337,483
Net assets released from restrictions	211,979	(211,979)	-	425,395	(425,395)	-
Total support	<u>7,469,995</u>	<u>1,009,337</u>	<u>8,479,332</u>	<u>6,692,443</u>	<u>(40,222)</u>	<u>6,652,221</u>
Revenue:						
Program fees	2,228,532	-	2,228,532	2,161,006	-	2,161,006
MRN client services	644,861	-	644,861	200,955	-	200,955
Rental income	69,008	-	69,008	46,283	-	46,283
Other income	13,111	-	13,111	21,336	-	21,336
Total revenue	<u>2,955,512</u>	<u>-</u>	<u>2,955,512</u>	<u>2,429,580</u>	<u>-</u>	<u>2,429,580</u>
Total support and revenue	<u>10,425,507</u>	<u>1,009,337</u>	<u>11,434,844</u>	<u>9,122,023</u>	<u>(40,222)</u>	<u>9,081,801</u>
Functional Expenses:						
Program services	8,530,536	-	8,530,536	7,297,447	-	7,297,447
Administrative and general	490,349	-	490,349	524,852	-	524,852
Fundraising	1,270,604	-	1,270,604	1,480,781	-	1,480,781
Total functional expenses	<u>10,291,489</u>	<u>-</u>	<u>10,291,489</u>	<u>9,303,080</u>	<u>-</u>	<u>9,303,080</u>
Increase (decrease) in net assets from operations	134,018	1,009,337	1,143,355	(181,057)	(40,222)	(221,279)
Other Income (Expense):						
Loss on disposal of fixed assets	-	-	-	(10,752)	-	(10,752)
Investment income	106,474	-	106,474	152,769	-	152,769
Change in value of annuities	-	-	-	(48,177)	-	(48,177)
Total other income	<u>106,474</u>	<u>-</u>	<u>106,474</u>	<u>93,840</u>	<u>-</u>	<u>93,840</u>
Increase (decrease) in net assets	240,492	1,009,337	1,249,829	(87,217)	(40,222)	(127,439)
Net assets - beginning of year	<u>14,985,777</u>	<u>71,872</u>	<u>15,057,649</u>	<u>15,072,994</u>	<u>112,094</u>	<u>15,185,088</u>
Net assets - end of year	<u>\$ 15,226,269</u>	<u>\$ 1,081,209</u>	<u>\$ 16,307,478</u>	<u>\$ 14,985,777</u>	<u>\$ 71,872</u>	<u>\$ 15,057,649</u>

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

Helping Up Mission, Inc. and Subsidiary

Consolidated Statements of Cash Flows

For the years ended June 30,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,249,829	\$ (127,439)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Amortization of debt issuance costs included in interest expense	2,569	2,569
Depreciation	560,207	555,309
Loss on disposal of property and equipment	-	10,752
Unrealized loss on investments	107,995	24,858
Loss on sale of investments	445	14
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	7,385	(2,062)
Grants receivable	(200,000)	-
Prepaid expenses	21,235	(29,877)
Deposits	(84,178)	(4,000)
(Decrease) increase in:		
Accounts payable	97,865	(34,317)
Accrued expenses	4,247	20,113
Deferred rent liability	6,034	(5,000)
Net cash provided by operating activities	<u>1,773,633</u>	<u>410,920</u>
Cash flows from investing activities:		
Purchase of investments	(435,018)	(1,001,837)
Proceeds from sale of investments	88,007	63,050
Purchase of property and equipment	(105,628)	(292,405)
Proceeds from sale of property and equipment	-	200
Net cash used in investing activities	<u>(452,639)</u>	<u>(1,230,992)</u>
Cash flows from financing activities:		
Repayments - long-term debt	(62,356)	(60,082)
Payments on annuities payable	(4,136)	(7,491)
Life expectancy adjustment of annuities payable	-	48,177
Net cash used in financing activities	<u>(66,492)</u>	<u>(19,396)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,254,502</u>	<u>(839,468)</u>
Cash and cash equivalents, beginning of year	<u>500,105</u>	<u>1,339,573</u>
Cash and cash equivalents, end of year	<u>\$ 1,754,607</u>	<u>\$ 500,105</u>

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

Helping Up Mission, Inc. and Subsidiary

Consolidated Statements of Functional Expenses

For the year ended June 30, 2016 (with comparative totals for 2015)

	Program Services	Administrative and General	Fundraising	Total	
				2016	2015
Annuity interest	\$ -	\$ 2,214	\$ -	\$ 2,214	\$ 1,257
Bank and investment fees	150	26,741	-	26,891	45,886
Banquet	142,037	-	-	142,037	150,838
Bed bug remediation project	-	-	-	-	7,760
Camps	65,240	-	-	65,240	60,345
Conference, seminars and meetings	15,815	12,185	169	28,169	39,404
Cultivation and acquisition	5,104	5,509	825,706	836,319	970,066
Depreciation	554,809	2,699	2,699	560,207	555,309
Equipment lease and maintenance	63,607	12,564	38,889	115,060	103,651
Kitchen	590,658	323	1,025	592,006	552,162
Housekeeping	66,209	-	-	66,209	69,384
Insurance	68,022	29,153	-	97,175	119,065
Interest	67,030	-	-	67,030	69,305
Memberships and subscriptions	8,097	7,491	2,905	18,493	15,203
MRN assistance to individuals	308,816	-	-	308,816	127,617
Newsletter expenses	151,686	-	-	151,686	125,184
Printing, postage and shipping	5,418	1,693	709	7,820	6,937
Professional and contractual services	161,964	44,640	40	206,644	178,003
Public awareness	-	345	74,430	74,775	57,266
Occupancy cost	87,634	-	-	87,634	81,600
Repairs and maintenance - building	221,369	653	-	222,022	205,797
Residents' assistance	190,192	-	-	190,192	167,527
Salaries and related expenses	2,572,990	323,201	297,720	3,193,911	2,767,591
Special events	2,248	-	13,674	15,922	12,199
Supplies	19,551	4,622	4,652	28,825	37,055
Telephone and communication	33,140	9,181	5,967	48,288	47,759
Travel and entertainment	1,726	6,301	1,185	9,212	4,725
Utilities	348,807	834	834	350,475	349,819
Women's program	-	-	-	-	1,538
Vehicles	37,624	-	-	37,624	35,345
Subtotal	5,789,943	490,349	1,270,604	7,550,896	6,965,597
Non-cash distributions:					
Donated merchandise distribution	1,072,082	-	-	1,072,082	786,796
Donated professional services distribution	721,194	-	-	721,194	724,300
Donated food distribution	947,317	-	-	947,317	826,387
Subtotal - Non-cash distributions	2,740,593	-	-	2,740,593	2,337,483
Total functional expenses	<u>\$ 8,530,536</u>	<u>\$ 490,349</u>	<u>\$1,270,604</u>	<u>\$10,291,489</u>	<u>\$9,303,080</u>

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

Helping Up Mission, Inc. and Subsidiary

Consolidated Statements of Functional Expenses

For the year ended June 30, 2015

	Program Services	Administrative and General	Fundraising	2015
Annuity interest	\$ -	\$ 1,257	\$ -	\$ 1,257
Bank and investment fees	150	45,735	1	45,886
Banquet	143,838	-	7,000	150,838
Bed bug remediation project	7,760	-	-	7,760
Camps	60,345	-	-	60,345
Conference, seminars and meetings	5,997	19,938	13,469	39,404
Cultivation and acquisition	6,394	2,452	961,220	970,066
Depreciation	549,283	4,017	2,009	555,309
Equipment lease and maintenance	36,432	11,832	55,387	103,651
Kitchen	551,461	130	571	552,162
Housekeeping	69,384	-	-	69,384
Insurance	83,345	35,720	-	119,065
Interest	69,305	-	-	69,305
Memberships and subscriptions	6,606	6,864	1,733	15,203
MRN assistance to individuals	127,617	-	-	127,617
Newsletter expenses	115,807	-	9,377	125,184
Printing, postage and shipping	4,848	1,687	402	6,937
Professional and contractual services	127,210	50,493	300	178,003
Public awareness	30	-	57,236	57,266
Occupancy cost	81,600	-	-	81,600
Repairs and maintenance - building	205,707	90	-	205,797
Residents' assistance	167,527	-	-	167,527
Salaries and related expenses	2,091,452	326,776	349,363	2,767,591
Special events	539	149	11,511	12,199
Supplies	31,100	3,828	2,127	37,055
Telephone and communication	31,948	9,177	6,634	47,759
Travel and entertainment	1,638	2,707	380	4,725
Utilities	345,829	1,995	1,995	349,819
Women's program	1,538	-	-	1,538
Vehicles	35,274	5	66	35,345
Subtotal	4,959,964	524,852	1,480,781	6,965,597
Non-cash distributions:				
Donated merchandise distribution	786,796	-	-	786,796
Donated professional services distribution	724,300	-	-	724,300
Donated food distribution	826,387	-	-	826,387
Subtotal - Non-cash distributions	2,337,483	-	-	2,337,483
Total functional expenses	\$ 7,297,447	\$ 524,852	\$ 1,480,781	\$ 9,303,080

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

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

1. Nature of Operations

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, poverty or addiction 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.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of Helping Up Mission, Inc. and Subsidiary include the accounts of Helping Up Mission, Inc. and House of Freedom, 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. All material inter-organization transactions and balances have been eliminated in consolidation.

Financial Statement 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.

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, 2016 and 2015, the Organizations had temporarily restricted net assets totaling \$1,081,209 and \$71,872, respectively.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

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, 2016 and 2015, 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, 2016 and 2015 was \$1,312,403 and \$398,756, 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 other amounts billed for services provided to men under various programs. 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.

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. Accounts receivable are deemed fully collectible at June 30, 2016 and 2015, and therefore, the Organizations have not established an allowance for doubtful accounts. There was no bad debt expense for the years ended June 30, 2016 and 2015.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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

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

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

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 investment in jewelry donated during the year ended June 30, 2016 is considered a level 3 investment.

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 and payables approximate fair value due to the short-term nature of these assets.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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 (increased to \$2,500 effective April 1, 2016) 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 - 10 years

Depreciation expense was \$560,207 and \$555,309 for the years ended June 30, 2016 and 2015, respectively.

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 Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

2. 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, 2016 and 2015 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 administrative and general 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, 2013.

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 2015 have been reclassified to conform to the 2016 presentation with no effect on previously reported net assets or changes in net assets.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

2. 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 \$50,926 and \$50,176 for the years ended June 30, 2016 and 2015, respectively. Advertising expense is included in "public awareness" in the Statements of Functional Expenses.

3. Grant receivable

In December 2015, House of Freedom, Inc. was awarded a grant from The Harry and Jeannette Weinberg Foundation in the amount of \$400,000. The grant is to be used for the construction, repair, and renovation of the commercial kitchen and dining room. In order to receive the funds, House of Freedom was required to meet certain matching requirements. All of the matching requirements were met as of June 30, 2016, and House of Freedom recognized revenue in full under the grant agreement. Grant receivable totaled \$200,000 at June 30, 2016, representing amounts earned but not yet received related to this grant agreement as of the balance sheet date. These amounts are considered fully collectible at June 30, 2016, and accordingly, no allowance for doubtful accounts is required.

4. Investments

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

<u>2016</u>	<u>Cost</u>	<u>Net-Unrealized Appreciation</u>	<u>Fair Value</u>
Mutual funds	\$2,662,583	\$ 370,654	\$ 3,033,237
Other investments (jewelry)	42,104	-	42,104
Total investments	<u>\$2,704,687</u>	<u>\$ 370,654</u>	<u>\$ 3,075,341</u>
 <u>2015</u>	 <u>Cost</u>	 <u>Net-Unrealized Appreciation</u>	 <u>Fair Value</u>
Mutual funds	<u>\$2,358,540</u>	<u>\$ 478,230</u>	<u>\$ 2,836,770</u>

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

4. Investments (continued)

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 214,914	\$ 177,641
Loss on sale of investments	(445)	(14)
Change in unrealized (depreciation) appreciation on investments	<u>(107,995)</u>	<u>(24,858)</u>
Total return on investments	<u>\$ 106,474</u>	<u>\$ 152,769</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.

Investments included in the portfolio that have been in a continuous loss position are as follows at June 30, 2016:

	<u>More than 12 months</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>
Mutual funds	<u>\$1,172,959</u>	<u>\$ (68,447)</u>

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015 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>
<u>2016</u>				
Mutual funds	\$3,033,237	\$ 3,033,237	\$ -	\$ -
Other investments (jewelry)	42,104	-	-	42,104
	<u>\$3,075,341</u>	<u>\$ 3,033,237</u>	<u>\$ -</u>	<u>\$ 42,104</u>
<u>2015</u>				
Mutual funds	<u>\$2,836,770</u>	<u>\$ 2,836,770</u>	<u>\$ -</u>	<u>\$ -</u>

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

4. Investments (continued)

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

Balance, July 1, 2015	\$ -
Donation of jewelry	<u>42,104</u>
Balance, June 30, 2016	<u>\$ 42,104</u>

The value of the jewelry was recorded based on liquidation value established by a certified gemologist using the market data approach. There were no significant changes in value to the Level 3 asset between the time of donation and June 30, 2016.

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, 2016 and 2015. The amount available under this line of credit was \$100,000 at June 30, 2016 and 2015, 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, 2016 and 2015, respectively, and this line of credit remains open at year end.

6. Long-Term Debt

Helping Up Mission, Inc. obtained a loan with a bank in October 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 a new 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 \$1,185,714 and \$1,232,559 at June 30, 2016 and 2015, respectively.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

6. Long-Term Debt (continued)

In July 2009, Helping Up Mission, Inc. entered into a construction loan with a 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 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 \$372,949 and \$388,460 at June 30, 2016 and 2015, respectively.

The above loan contains certain financial covenants which were met as of June 30, 2016 and 2015, respectively.

A summary of long-term debt at June 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Total long-term debt related to above loans	\$ 1,558,663	\$ 1,621,019
Less: Unamortized debt issuance costs	<u>5,566</u>	<u>8,135</u>
Long-term debt, less unamortized debt issuance costs	1,553,097	1,612,884
Less: current portion of long-term debt	<u>64,757</u>	<u>62,028</u>
Total long-term debt, less current portion	<u>\$ 1,488,340</u>	<u>\$ 1,550,856</u>

In 2016, the Company retroactively adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Long-term debt as of June 30, 2015 was previously reported on the balance sheet as \$1,621,019 with the associated \$8,135 unamortized debt issuance costs included in other assets. Amortization of the debt issuance costs is reported as interest expense in the income statement.

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

<u>Years Ending</u>	<u>Amount</u>
<u>June 30,</u>	
2017	\$ 64,757
2018	68,533
2019	<u>1,425,373</u>
Total	<u>\$ 1,558,663</u>

Consolidated interest expense on the long-term debt and lines of credit (including amortization of loan issuance costs reported as interest expense) was \$67,030 and \$69,305 for the years ended June 30, 2016 and 2015, respectively on this debt.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

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. One of the agreements with one individual was paid off during the year ended June 30, 2015 with the death of that individual. The remaining three agreements with the remaining individual are on-going and were re-valued during the year ended June 30, 2015 based on the updated life expectancy of the annuitant. The change in value in the remaining annuities to reflect the updated life expectancy of the annuitant totaled \$48,177 for the year ended June 30, 2015 and is shown in the statements of activities as "change in value of annuities" under other income (expense). The aggregate annual payments on the remaining annuity obligations at June 30, 2016 and 2015 are \$51,832 and \$55,968, respectively. 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 re-valued, which was 4%) and the remainder represents a contribution. At June 30, 2016 and 2015, Helping Up Mission, Inc. has sufficient reserves to fund these obligations.

Future minimum principal payments for the remaining annuities are as follows:

Years Ending	
June 30,	Amount
2017	\$ 4,302
2018	4,477
2019	4,660
2020	4,850
2021	5,048
Thereafter	28,495
Total	<u>\$ 51,832</u>

Interest expense related to annuities payable totaled \$2,214 and \$1,257 for the years ended June 30, 2016 and 2015, respectively.

8. Program Fees

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

	<u>2016</u>	<u>2015</u>
Lodging	\$ 1,323,558	\$ 1,376,244
Food stamps	486,807	442,939
Temporary disability assistance	418,167	341,823
	<u>\$ 2,228,532</u>	<u>\$ 2,161,006</u>

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

9. Rental Income

A small portion of Helping Up Mission, Inc. and Subsidiaries' office space at 1017 and 1029 E. Baltimore Street is leased to outside tenants under non-cancelable operating leases. The leases have consolidated monthly rental payments of \$6,303. 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 \$69,008 and \$46,283 for the years ended June 30, 2016 and 2015, respectively. The cost of the buildings was \$9,402,434 at June 30, 2016 and 2015, and accumulated depreciation totaled \$1,919,896 and \$2,165,890 at June 30, 2016 and 2015, 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 had a term of five years and provided for base monthly rentals of \$2,341. In April of 2015, Helping Up Mission, Inc. entered into a new operating lease agreement with a five year term, providing for base monthly rentals of \$2,658 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, 2016 and 2015 were \$71,427 and \$67,600, 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 was a 60-month lease that expired in February 2015. This lease was renewed for an additional 60 months, expiring in February 2020. Annual lease payments total \$44,400 in year one, followed by varying annual lease payments based on a lump sum payable at the beginning of each lease year and subsequent monthly payments as determined by the lease agreement. The lease contains an option to renew for a period of up to five years.

Helping Up Mission, Inc. also has an operating lease agreement for another townhouse in Baltimore City for the "3/4 Housing Program". This was a 46-month lease that expired in April 2015. The lease was renewed for an additional 60 months, expiring in April 2020. Annual lease payments total \$34,100 in year one, followed by varying annual lease payments based on a lump sum payable at the beginning of each lease year and subsequent monthly payments as determined by the lease agreement. The lease contains an option to renew for a period of up to five years.

Total payments under these townhouse lease arrangements for the years ended June 30, 2016 and 2015 were \$87,634 and \$81,600, respectively, and are included in "occupancy cost" in the accompanying Consolidated Statements of Functional Expenses.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

10. Commitments (continued)

Operating Leases (continued)

The Organizations recognize rental expense for leases with scheduled rent increases over the life of the lease using the straight line method. The difference between the actual rent payments and rent expense calculated using the straight line method represents deferred rent. The deferred rent liability totaled \$6,034 and \$-0- at June 30, 2016 and 2015, respectively.

The aggregate minimum future rental payments under operating leases are as follows:

Years Ending	
June 30,	Amount
2017	\$ 115,094
2018	146,862
2019	136,933
2020	95,935
2021	33,656
Total	<u>\$ 528,480</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 \$136,234 and \$122,709 at June 30, 2016 and 2015, 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, 2016. 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.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

10. Commitments (continued)

Grant Commitments (continued)

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, 2016. 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.

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, 2016. 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, 2016. 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. Helping Up Mission, Inc. met all the requirements under this grant agreement and the grant was recognized

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

10. Commitments (continued)

Grant Commitments (continued)

as revenue in years prior to June 30, 2016. 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.

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, 2016. 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.

11. Retirement Plan

Helping Up Mission, Inc. sponsors and contributes to an employee SIMPLE IRA plan. Contributions to this Plan totaled \$46,209 and \$38,817 for the years ended June 30, 2016 and 2015, respectively.

12. Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Art fund	\$ 1,528	\$ 1,017
Books and content	19,977	23,582
Camps	5,707	19,674
Chapel renovations	11,524	23,719
Eye care	2,500	2,500
Foot care	1,192	1,192
Kitchen renovations	1,000,000	-
Music fund	188	188
Program Retreats	26,343	-
Spiritual Recovery & Alumni	12,250	-
Total temporarily restricted net assets	<u>\$ 1,081,209</u>	<u>\$ 71,872</u>

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

13. Board Designated Net Assets

During the year ended June 30, 2016, the Board approved the establishment of a Board designated fund. The purpose of the fund is to segregate a portion of unrestricted net assets for future capital needs. The board approved a transfer to the fund totaling \$937,256 and \$-0- as of June 30, 2016 and 2015, respectively. The fund is expected to be used within the next year for building and kitchen renovations.

14. Supplemental Disclosure of Cash Flow Information

Cash paid for interest totaled \$66,675 and \$67,993 for the years ended June 30, 2016 and 2015, respectively.

15. Subsequent Events

Subsequent to year-end, House of Freedom, Inc. purchased two buildings. On July 29, 2016, the building at 6 N. Central Avenue was purchased for \$575,000. On August 22, 2016, the building at 1216 E. Baltimore Street was purchased for \$2,650,000.

On August 22, 2016, House of Freedom, Inc. obtained a new loan from the seller for \$1,150,000. The loan requires monthly payments of interest only at 3.5% through maturity of the loan on August 22, 2019. The loan is secured by the related property acquisitions and is guaranteed by Helping Up Mission, Inc.

Subsequent events were evaluated through September 20, 2016, the date the financial statements were available to be issued. There were no additional subsequent events noted for disclosure.