

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

**Audited Consolidated
Financial Statements**

June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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, Szabo, LLC

September 25, 2018
Timonium, MD

Helping Up Mission, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30,	<u>2018</u>	<u>2017</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 771,387	\$ 692,353
Restricted cash	5,454,832	-
Accounts receivable, net of allowance	193,264	86,146
Grant receivable	-	200,000
Capital campaign pledges receivable	6,602,819	-
Prepaid expenses	59,836	69,465
Total current assets	<u>13,082,138</u>	<u>1,047,964</u>
Property and Equipment:		
Buildings and improvements	19,794,075	17,803,133
Furniture and equipment	1,419,503	948,351
Vehicles	237,736	207,681
Total	21,451,314	18,959,165
Less accumulated depreciation	<u>4,755,105</u>	<u>4,192,968</u>
	16,696,209	14,766,197
Land	770,700	770,700
Construction in progress	<u>240,019</u>	<u>229,445</u>
Net property and equipment	<u>17,706,928</u>	<u>15,766,342</u>
Other Assets:		
Investments	3,069,730	3,428,902
Capital campaign pledges receivable - noncurrent	7,185,905	-
Deposits	<u>2,800</u>	<u>2,800</u>
Total other assets	<u>10,258,435</u>	<u>3,431,702</u>
Total Assets	<u>\$ 41,047,501</u>	<u>\$ 20,246,008</u>

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

	<u>2018</u>	<u>2017</u>
Liabilities and Net Assets		
Current Liabilities:		
Current maturities of loans payable	\$ -	\$ 167,418
Current maturities of annuities payable	4,660	4,477
Accounts payable	356,110	93,537
Accrued expenses	189,303	150,529
Deferred rent liability	23,024	29,159
Total current liabilities	<u>573,097</u>	<u>445,120</u>
Long-Term Liabilities:		
Line of credit	-	500,000
Loans payable, net of current maturities	3,483,802	2,923,153
Annuities payable	38,393	43,053
Total long-term liabilities	<u>3,522,195</u>	<u>3,466,206</u>
Total liabilities	<u>4,095,292</u>	<u>3,911,326</u>
Net Assets:		
Unrestricted:		
Board-designated	800,000	600,000
Undesignated	16,374,305	14,503,753
Total unrestricted net assets	<u>17,174,305</u>	<u>15,103,753</u>
Temporarily restricted	19,777,904	1,230,929
Total net assets	<u>36,952,209</u>	<u>16,334,682</u>
Total Liabilities and Net Assets	<u>\$ 41,047,501</u>	<u>\$ 20,246,008</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, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Support:						
Contributions and gifts	\$ 4,743,112	\$ 394,287	\$ 5,137,399	\$ 4,536,196	\$ 553,310	\$ 5,089,506
In-kind donations	3,235,488	-	3,235,488	3,543,980	-	3,543,980
Net assets released from restrictions	414,698	(414,698)	-	403,590	(403,590)	-
Total support	8,393,298	(20,411)	8,372,887	8,483,766	149,720	8,633,486
Revenue:						
Program fees	2,190,296	-	2,190,296	2,232,208	-	2,232,208
Government contracts	-	630,659	630,659	-	87,612	87,612
MRN client services	454,044	-	454,044	475,977	-	475,977
Rental income	58,178	-	58,178	76,077	-	76,077
Other income	15,554	-	15,554	124,080	-	124,080
Net assets released from restrictions	630,659	(630,659)	-	87,612	(87,612)	-
Total revenue	3,348,731	-	3,348,731	2,995,954	-	2,995,954
Total support and revenue	11,742,029	(20,411)	11,721,618	11,479,720	149,720	11,629,440
Functional Expenses:						
Program services	9,951,240	-	9,951,240	9,698,742	-	9,698,742
Administrative and general	587,904	-	587,904	524,600	-	524,600
Fundraising	1,954,696	-	1,954,696	1,656,460	-	1,656,460
Total functional expenses	12,493,840	-	12,493,840	11,879,802	-	11,879,802
(Decrease) increase in net assets from operations	(751,811)	(20,411)	(772,222)	(400,082)	149,720	(250,362)
Other Changes:						
Support:						
Capital campaign pledges, net	-	19,631,964	19,631,964	-	-	-
Kitchen renovations	-	1,600,000	1,600,000	-	-	-
Investment income	169,305	-	169,305	343,165	-	343,165
(Loss) gain on disposal of fixed assets	(4,340)	-	(4,340)	200	-	200
Uncollectible pledges	(7,180)	-	(7,180)	-	-	-
Impairment loss	-	-	-	(65,799)	-	(65,799)
Net assets released from restrictions	2,664,578	(2,664,578)	-	-	-	-
Total other income	2,822,363	18,567,386	21,389,749	277,566	-	277,566
Increase (decrease) in net assets	2,070,552	18,546,975	20,617,527	(122,516)	149,720	27,204
Net assets - beginning of year	15,103,753	1,230,929	16,334,682	15,226,269	1,081,209	16,307,478
Net assets - end of year	\$ 17,174,305	\$ 19,777,904	\$ 36,952,209	\$ 15,103,753	\$ 1,230,929	\$ 16,334,682

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>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in net assets	\$ 20,617,527	\$ 27,204
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization of debt issuance costs included in interest expense	4,953	2,569
Depreciation	723,710	647,316
Donated securities	(280,358)	(85,212)
Gain on sale of investments	(259,333)	(120,105)
Impairment loss	-	65,799
Loss (gain) on disposal of property and equipment	4,340	(200)
New capital campaign pledges, net	(19,243,556)	-
Principal reduction of notes payable	-	(66,000)
Unrealized loss (gain) on investments	262,439	(124,435)
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(107,118)	20,939
Grants receivable	200,000	-
Prepaid expenses	9,629	(10,001)
Deposits	-	88,478
(Decrease) increase in:		
Accounts payable	262,573	(37,176)
Accrued expenses	38,774	10,061
Deferred rent liability	(6,135)	23,125
Net cash provided by operating activities	<u>2,227,445</u>	<u>442,362</u>
Cash flows from investing activities:		
Purchase of investments	(1,478,891)	(980,968)
Proceeds from sale of investments	2,115,315	957,158
Cash paid for purchase of property and equipment	(2,668,636)	(1,427,609)
Proceeds from sale of property and equipment	-	200
Net cash used in investing activities	<u>(2,032,212)</u>	<u>(1,451,219)</u>
Cash flows from financing activities:		
Payments received on capital campaign pledges	5,454,832	-
Cash paid for loan acquisition costs	(17,752)	-
Repayments - long-term debt	(93,970)	(49,095)
Payments on annuities payable	(4,477)	(4,302)
Net cash provided by (used in) financing activities	<u>5,338,633</u>	<u>(53,397)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>5,533,866</u>	<u>(1,062,254)</u>
Cash, cash equivalents and restricted cash, beginning of year	<u>692,353</u>	<u>1,754,607</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 6,226,219</u>	<u>\$ 692,353</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, 2018 (with comparative totals for 2017)

	Program Services	Administrative and General	Fundraising	Total	
				2018	2017
Annuity interest	\$ -	\$ 1,872	\$ -	\$ 1,872	\$ 2,048
Bank and investment fees	330	43,557	-	43,887	41,225
Banquet	134,499	-	8,195	142,694	143,056
Camps	80,570	-	-	80,570	68,235
Conference, seminars and meetings	14,301	17,656	14,594	46,551	26,927
Cultivation and acquisition	9,072	16,330	1,015,743	1,041,145	978,684
Depreciation	715,390	4,160	4,160	723,710	647,316
Equipment lease and maintenance	65,707	11,349	18,943	95,999	117,092
Kitchen	723,624	471	3,679	727,774	583,442
Housekeeping	76,540	-	-	76,540	72,235
Insurance	90,922	38,659	-	129,581	118,604
Interest	131,868	5,339	-	137,207	126,172
Memberships and subscriptions	7,274	10,391	3,837	21,502	19,464
MRN assistance to individuals	195,001	-	-	195,001	201,039
Newsletter expenses	120,676	-	-	120,676	156,210
Printing, postage and shipping	2,381	1,355	2,226	5,962	6,724
Professional and contractual services	141,862	102,456	188,442	432,760	264,633
Public awareness	-	-	72,502	72,502	70,530
Occupancy cost	170,279	-	-	170,279	154,525
Repairs and maintenance - building	289,698	27	82	289,807	273,113
Residents' assistance	227,614	-	-	227,614	212,452
Salaries and related expenses	2,926,696	311,688	565,842	3,804,226	3,482,442
Special events	2,540	933	29,212	32,685	18,571
Supplies	31,729	6,159	5,009	42,897	32,159
Taxes - other	-	-	-	-	20,893
Telephone and communication	40,444	6,837	7,026	54,307	52,297
Travel and entertainment	6,604	6,459	12,998	26,061	15,064
Utilities	463,267	2,206	2,206	467,679	383,947
Vehicles	46,864	-	-	46,864	46,723
Subtotal	6,715,752	587,904	1,954,696	9,258,352	8,335,822
Non-cash distributions:					
Donated merchandise distribution	1,322,183	-	-	1,322,183	1,327,250
Donated professional services distribution	940,198	-	-	940,198	999,379
Donated food distribution	973,107	-	-	973,107	1,217,351
Subtotal - Non-cash distributions	3,235,488	-	-	3,235,488	3,543,980
Total functional expenses	\$ 9,951,240	\$ 587,904	\$ 1,954,696	\$ 12,493,840	\$ 11,879,802

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, 2017

	Program Services	Administrative and General	Fundraising	2017
Annuity interest	\$ -	\$ 2,048	\$ -	\$ 2,048
Bank and investment fees	387	40,759	79	41,225
Banquet	143,056	-	-	143,056
Camps	68,235	-	-	68,235
Conference, seminars and meetings	7,653	14,565	4,709	26,927
Cultivation and acquisition	925	500	977,259	978,684
Depreciation	640,270	3,523	3,523	647,316
Equipment lease and maintenance	71,537	14,866	30,689	117,092
Kitchen	580,160	402	2,880	583,442
Housekeeping	72,235	-	-	72,235
Insurance	83,023	35,581	-	118,604
Interest	126,172	-	-	126,172
Memberships and subscriptions	7,119	10,290	2,055	19,464
MRN assistance to individuals	201,039	-	-	201,039
Newsletter expenses	133,714	-	22,496	156,210
Printing, postage and shipping	4,132	1,950	642	6,724
Professional and contractual services	121,097	58,749	84,787	264,633
Public awareness	-	-	70,530	70,530
Occupancy cost	154,525	-	-	154,525
Repairs and maintenance - building	273,113	-	-	273,113
Residents' assistance	212,452	-	-	212,452
Salaries and related expenses	2,739,211	314,824	428,407	3,482,442
Special events	1,080	3,168	14,323	18,571
Supplies	24,342	4,624	3,193	32,159
Taxes - other	20,893	-	-	20,893
Telephone and communication	36,855	8,844	6,598	52,297
Travel and entertainment	3,047	8,817	3,200	15,064
Utilities	381,767	1,090	1,090	383,947
Vehicles	46,723	-	-	46,723
Subtotal	6,154,762	524,600	1,656,460	8,335,822
Non-cash distributions:				
Donated merchandise distribution	1,327,250	-	-	1,327,250
Donated professional services distribution	999,379	-	-	999,379
Donated food distribution	1,217,351	-	-	1,217,351
Subtotal - Non-cash distributions	3,543,980	-	-	3,543,980
Total functional expenses	<u>\$ 9,698,742</u>	<u>\$ 524,600</u>	<u>\$ 1,656,460</u>	<u>\$ 11,879,802</u>

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, 2018 and 2017

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, supportive services, and other assistance to those 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 the general public and 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, 2018 and 2017, the Organizations had temporarily restricted net assets totaling \$19,777,904 and \$1,230,929, respectively.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017 was \$5,864,288 and \$622,396, 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 individuals 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, 2018 and 2017, and therefore, the Organizations have not established an allowance for doubtful accounts. There was no bad debt expense related to accounts receivable for the years ended June 30, 2018 and 2017.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

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 and other assets 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. Investments and other assets 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. Capital campaign pledges receivable are considered to be level 3.

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, 2018 and 2017

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 an average cost 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 \$2,500 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	7 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 10 years

Depreciation expense was \$723,710 and \$647,316 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Deferred Rent Liability

The Organizations recognize rental expense for leases with scheduled rent increases on the straight-line basis over the life of the lease.

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, have not recorded any reserves, or related accruals for interest and penalties, at June 30, 2018 and 2017 for uncertain income tax positions. The Organizations continually evaluate 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 Consolidated 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, 2015.

Use of Estimates

The preparation of consolidated 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 consolidated 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

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Organizations expense advertising costs the first time the advertising takes place. The amounts charged to advertising expense totaled \$55,792 and \$40,665 for the years ended June 30, 2018 and 2017, respectively. Advertising expense is included in "public awareness" in the Consolidated Statements of Functional Expenses.

Reclassifications

Certain amounts from 2017 have been reclassified to conform to the 2018 presentation. These reclassifications have no change on previously reported net assets.

3. Cash, Cash Equivalents and Restricted Cash

During the year ended June 30, 2018, the Organizations implemented the requirements of *ASU 2016-18, Statement of Cash Flows: Restricted Cash*, which requires that restricted cash and cash equivalents be included in the total cash and cash equivalents at the beginning and end of the period for which changes are shown in the statement of cash flows. The adoption of this ASU had no effect on the financial statements for the year ended June 30, 2017 because there was no restricted cash in that year. Cash, cash equivalents and restricted cash consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 771,387	\$ 692,353
Restricted cash	<u>5,454,832</u>	<u>-</u>
Cash, cash equivalents, and restricted cash shown on in the statement of cash flows	<u>\$ 6,226,219</u>	<u>\$ 692,353</u>

Restricted cash represents cash received with donor-imposed restrictions that limits the use of that cash to the payment of costs of constructing a new building used in future operations to support a women's program.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

4. 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, 2017 related to amounts due under the grant agreement, and the amount was received during the year ended June 30, 2018.

5. Capital Campaign Pledges Receivable

During the year ended June 30, 2018, the organization began a capital campaign to raise funds to support the construction of a new building to be used in future operations to support a women's program. The pledges are payable over a one to five year period. The total amount expected to be received at June 30, 2018 was recorded at the present value of the expected future cash flows discounted at 3.70%.

Pledges receivable consist of the following at June 30, 2018:

Pledges receivable	\$ 14,695,098
Less: unamortized discount	<u>(906,374)</u>
Total	<u>\$ 13,788,724</u>

The total of pledges receivable is reflected in the Consolidated Statements of Financial Position as follows at June 30 2018:

Capital campaign pledges receivables - current	\$ 6,602,819
Capital campaign pledges receivables - noncurrent	<u>7,185,905</u>
	<u>\$ 13,788,724</u>
Amounts due in:	
Less than one year	\$ 6,847,123
One to five years	<u>7,847,975</u>
Total	<u>\$ 14,695,098</u>

Management evaluates the collectability of pledges receivable based on payment patterns and continued correspondence with donors. During the year end June 30, 2018, pledges totaling \$7,180 were considerable uncollectible by management. This amount was included under other income (expense) as "uncollectible pledges" in the accompanying Consolidated Statements of Activities for the year ended June 30, 2018.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

6. Investments

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

<u>2018</u>	<u>Cost</u>	<u>Net-Unrealized Appreciation</u>	<u>Fair Value</u>
Mutual funds	<u>\$2,837,080</u>	<u>\$ 232,650</u>	<u>\$ 3,069,730</u>
<u>2017</u>	<u>Cost</u>	<u>Net-Unrealized Appreciation</u>	<u>Fair Value</u>
Mutual funds	<u>\$2,933,813</u>	<u>\$ 495,089</u>	<u>\$ 3,428,902</u>

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 172,411	\$ 98,625
Gain on sale of investments	259,333	120,105
Change in unrealized (depreciation) appreciation on investments	<u>(262,439)</u>	<u>124,435</u>
Total return on investments	<u>\$ 169,305</u>	<u>\$ 343,165</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 Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

6. Investments (continued)

Investments included in the portfolio that have been in a continuous loss position are as follows at June 30, 2018:

	<u>Less than 12 months</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>
Mutual funds	<u>\$ 494,009</u>	<u>\$ 7,036</u>

	<u>More than 12 months</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>
Mutual funds	<u>\$ 787,639</u>	<u>\$ 22,969</u>

7. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 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>2018</u>				
Mutual funds	<u>\$ 3,069,730</u>	<u>\$ 3,069,730</u>	<u>\$ -</u>	<u>\$ -</u>
Capital campaign pledges receivable	<u>\$ 13,788,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,788,724</u>
<u>2017</u>				
Mutual funds	<u>\$ 3,428,902</u>	<u>\$ 3,428,902</u>	<u>\$ -</u>	<u>\$ -</u>

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

7. Fair Value Measurements (continued)

Capital campaign pledges receivable are recorded at the present value of the expected future cash flows discounted at 3.70%. The following table presents information about the change in capital campaign pledges receivable (level 3 asset), which are measured at fair value on a recurring basis using significant unobservable inputs:

Balance at July 1, 2017	\$ -
New capital campaign pledges	20,157,110
Receipts from capital campaign pledges	(5,454,832)
Uncollectible capital campaign pledges	(7,180)
Discount on capital campaign pledges receivable	<u>(906,374)</u>
Balance at June 30, 2018	<u>\$ 13,788,724</u>

8. 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, 2018 and 2017. The amount available under this line of credit was \$100,000 at June 30, 2018 and 2017, 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. The balance outstanding on the line of credit was \$-0- and \$500,000 at June 30, 2018 and 2017, respectively. The line of credit is secured by certain real property and House of Freedom, Inc. is a guarantor. The line of credit contains certain financial covenants which were met at June 30, 2018 and 2017.

9. 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%, were required with the unpaid principal balance of the loan due in January 2018. A security interest on 1017 East Baltimore Street secured this debt, and House of Freedom, Inc. was a guarantor of the loan. The loan was repaid in full in January 2018. The outstanding loan balance for this term loan was \$-0- and \$1,136,812 at June 30, 2018 and 2017, respectively.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

9. 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 \$2,579, including interest at 3.98%, was required with the unpaid principal balance of the loan due in January 2018. The loan was repaid in full in January 2018. The outstanding balance on this loan was \$-0- and \$356,757 at June 30, 2018 and 2017, respectively.

In August 2016, Helping Up Mission, Inc. entered into a loan agreement with a bank for \$500,000 to assist with the cost of obtaining property in Baltimore City. The loan requires payments of interest only through the maturity date of August 19, 2019, with interest computed on the aggregate unpaid balance based on the prime rate as published in the Wall Street Journal. The loan was secured by accounts receivable and certain equipment and is guaranteed by House of Freedom, Inc. The loan was repaid in full in January 2018. The balance outstanding on the loan was \$-0- and \$500,000 at June 30, 2018 and 2017, respectively.

In March 2017, Helping Up Mission entered into a loan agreement with a bank for \$1,000,000. The loan requires payments of interest only through the maturity date of March 20, 2020, with interest computed on the aggregate unpaid balance based on the LIBOR daily floating rate plus 2% (4.09% at June 30, 2018). The loan is secured by property at 1216 E. Baltimore Street. The balance outstanding on the loan was \$999,598 and \$1,000,000 at June 30, 2018 and 2017, respectively.

In March 2017, Helping Up Mission entered into a loan agreement with a bank for \$100,000. The loan required payments of interest only through the maturity date of April 20, 2018, with interest computed on the aggregate unpaid balance based on the LIBOR daily floating rate plus 2%. The loan was secured by property at 1216 E. Baltimore Street. The loan was repaid in full in January 2018. The balance outstanding on the loan was \$-0- and \$100,000 at June 30, 2018 and 2017, respectively.

In December 2018, Helping Up Mission entered into a loan agreement with a bank for \$2,500,000. The loan requires payments of interest only through the maturity date of December 12, 2022, with interest computed on the aggregate unpaid balance based on the LIBOR daily floating rate plus 1.5% (3.57% at June 30, 2018). The loan is secured by property at 1017 E. Baltimore Street and \$1,200,000 of marketable securities held with the bank are also pledged as collateral. The loan is guaranteed by House of Freedom, Inc. The balance outstanding on the loan was \$2,500,000 and \$-0- at June 30, 2018 and 2017, respectively.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

9. Long-Term Debt (continued)

The above loans contain certain financial covenants which were met as of June 30, 2018 and 2017, respectively.

A summary of long-term debt at June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Total long-term debt related to above loans	\$ 3,499,598	\$ 3,093,569
Less: Unamortized debt issuance costs	<u>15,796</u>	<u>2,998</u>
Long-term debt, less unamortized debt issuance costs	3,483,802	3,090,571
Less: current portion of long-term debt	<u>-</u>	<u>167,418</u>
Total long-term debt, less current portion	<u>\$ 3,483,802</u>	<u>\$ 2,923,153</u>

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

<u>Years Ending</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ -
2020	999,598
2021	-
2022	-
2023	<u>2,500,000</u>
Total	<u>\$ 3,499,598</u>

Consolidated interest expense on the long-term debt and lines of credit (including amortization of loan issuance costs reported as interest expense) was \$137,207 and \$126,172 for the years ended June 30, 2018 and 2017, respectively on this debt.

10. Annuities Payable

Helping Up Mission, Inc. currently has three agreements to provide periodic payments to one individual during the remainder of her life in return for a charitable gift to Helping Up Mission, Inc. The aggregate annual estimated payments on the annuity obligations at June 30, 2018 and 2017 are \$43,053 and \$47,530, respectively, based on IRS life expectancy tables. Helping Up Mission, Inc. reviews the life expectancy tables published by the IRS annually and records any material changes in the projected liability as a charge to the change in value of the annuity payable. At June 30, 2018 and 2017, the liability based on updated IRS life expectancy tables did not differ materially from what was recorded and no adjustment was made. 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, which are currently 4%) and the remainder represents a contribution. At June 30, 2018 and 2017, Helping Up Mission, Inc. has sufficient reserves to fund these obligations.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

10. Annuities Payable (continued)

Interest expense related to annuities payable totaled \$1,872 and \$2,048 for the years ended June 30, 2018 and 2017, respectively. Future estimated minimum principal payments for the remaining annuities are as follows:

Years Ending	
June 30,	Amount
2019	\$ 4,660
2020	4,850
2021	5,048
2022	5,254
2023	5,468
Thereafter	17,773
Total	<u>\$ 43,053</u>

11. Program Fees

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

	<u>2018</u>	<u>2017</u>
Lodging	\$ 1,586,020	\$ 1,447,509
Food stamps	377,615	464,557
Temporary disability assistance	226,661	320,142
	<u>\$ 2,190,296</u>	<u>\$ 2,232,208</u>

12. 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 \$4,620. 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 \$58,178 and \$76,077 for the years ended June 30, 2018 and 2017, respectively. The cost of the buildings was \$8,445,847 and \$8,434,006 at June 30, 2018 and 2017, respectively and accumulated depreciation totaled \$1,688,609 and \$1,463,933 at June 30, 2018 and 2017, respectively. The portion of the building being rented is diminutive.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

13. Impairment Loss

During the year ended June 30, 2017, Helping Up Mission received an appraisal on the building located at 1017 E. Baltimore Street. The appraisal was made for the purpose of potential debt restructuring to appropriately align collateral with the related debt. The impairment loss totaling \$65,799 for the year ended June 30, 2017 represents the difference between the carrying value of the building and related improvements and the market value based on the appraisal received in June 2017.

14. Commitments

Operating Leases

Helping Up Mission, Inc. entered into an operating lease agreement in April of 2015 for various office equipment. The lease had a term of five years and provided for base monthly rentals of \$2,658. In December 2017, the lease was renegotiated and extended for an additional five years, expiring in December 2022. The lease provides for base monthly rentals of \$2,971, 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, 2018 and 2017 were \$59,855 and \$75,586, 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 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 is a 60-month lease, 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.

Helping Up Mission, Inc. entered into an operating lease agreement in March 2016 in Baltimore City for a nearby office building for program expansion purposes. This is a 60-month lease, expiring in May 2020. Under the terms of the lease agreement, Helping Up Mission, Inc. received one year of free rent, followed by base monthly rent payments of \$2,800, with escalation provisions at 3% per year thereafter.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

14. Commitments (continued)

Operating Leases (continued)

Helping Up Mission, Inc. entered into an operating lease agreement in November 2016 for a nearby property to be used as a transportation hub for a women's program. This was one-year lease, expiring in October 2017. During the year ended June 30, 2018, the lease was renegotiated and extended for seven years, expiring October 2024. Base monthly rent under this lease agreement is \$4,500. The lease agreement includes a reimbursement credit for capital improvements paid each month to Helping Up Mission, Inc. totaling \$2,380.

Helping Up Mission, Inc. entered into an operating lease agreement in May 2017 for a nearby delicatessen to be used as a temporary kitchen facility during kitchen renovations on the main campus. Base monthly rent under the lease agreement was \$3,750. The lease expired in December 2017. Upon expiration, the lease continues on a month-to-month basis under reduced terms at base monthly rent of \$1,000.

Total payments under these lease arrangements for the years ended June 30, 2018 and 2017 were \$170,279 and \$154,525, respectively, and are included in "occupancy cost" in the accompanying Consolidated Statements of Functional Expenses.

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 \$23,024 and \$29,159 at June 30, 2018 and 2017, respectively.

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

Years Ending June 30,	Amount
2019	\$ 176,982
2020	157,023
2021	94,744
2022	61,088
2023	43,264
Thereafter	33,920
Total	<u>\$ 567,021</u>

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

14. Commitments (continued)

Accumulated Vacation

Employees of Helping Up Mission, Inc. earn a vested right to compensation for unused vacation. Accordingly, Helping Up Mission, Inc. has made an accrual for vacation compensation that employees have earned but not taken. Accrued vacation totaled \$184,787 and \$145,459 at June 30, 2018 and 2017, 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, 2018. 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, 2018. 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, 2018. 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.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

14. Commitments (continued)

Grant Commitments (continued)

In December 2008, Helping Up Mission, Inc. was awarded a conditional promise to give from FHLBank Atlanta, a Federal Home Loan Bank, in the amount of \$1,000,000. The grant 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, 2018. 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 a 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 as revenue in years prior to June 30, 2018. 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, 2018. 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.

In July 2017, House of Freedom, Inc. was awarded a grant from The Maryland Department of Housing and Community Development in the amount of \$1,400,000. The grant was recognized as revenue in full during the year ended June 30, 2018. The grant is to be used for the rehabilitation of the commercial kitchen and dining hall located at 1023 E. 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 2032. If the properties are sold, transferred, or not used for the specified purpose prior to the year 2032, House of Freedom, Inc. must repay the grant in full.

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

15. Retirement Plan

Helping Up Mission, Inc. sponsors and contributes to an employee SIMPLE IRA plan. Contributions to this Plan totaled \$60,800 and \$54,242 for the years ended June 30, 2018 and 2017, respectively.

16. Board Designated Net Assets

The Board approved the establishment of a Board designated fund during the year ended June 30, 2016. The purpose of the fund is to segregate a portion of unrestricted net assets for future capital needs. Board designated net assets totaled \$800,000 and \$600,000 as of June 30, 2018 and 2017, respectively.

17. Temporarily Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Art fund	\$ 1,417	\$ 1,191
Library fund	17,863	14,812
Summer camps	18,524	29,136
Chapel renovations	8,238	10,172
Continuing education	187	-
Cornerstone	12,433	-
Eye care	2,500	2,500
Foot care	191	1,192
"Inspiring Hope" capital campaign fund - women's program	19,074,785	-
Kitchen renovations	-	1,000,000
Software licensing	-	30,000
Music fund	-	188
Prescription services	-	10,000
Program retreats	49,272	36,938
Psychiatric services	61,965	75,000
Spiritual recovery & alumni	10,800	10,300
Stabilization project	7,500	7,500
Truck fund	17,719	-
Women's center	494,510	2,000
Total temporarily restricted net assets	<u>\$ 19,777,904</u>	<u>\$ 1,230,929</u>

Helping Up Mission, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

18. Supplemental Disclosure of Cash Flow Information

Cash paid for interest totaled \$134,126 and \$125,650 for the years ended June 30, 2018 and 2017, respectively.

Non-cash investing and financing activities consisted of the follows for the years ending June 30:

	<u>2018</u>	<u>2017</u>
Cost of property and equipment acquired	\$ 2,668,636	\$ 3,577,609
Less: proceeds from notes payable	-	(1,650,000)
Less: proceeds from line of credit	-	(500,000)
Net cash outlay for property and equipment	<u>\$ 2,668,636</u>	<u>\$ 1,427,609</u>

In addition, during the year ended June 30, 2018, principal repayments under loan agreements totaling \$2,500,000 were financed through new debt acquisition.

19. Contingency

Helping Up Mission, Inc. is currently the defendant in a legal matter. One of the Organization's clients is seeking compensation for an incident that occurred with another client while on the Organization's property. Any potential outcome cannot be estimated at this time; however, the Organization believes any potential liability as a result of the settlement of this legal matter will be covered by the Organization's insurance policy.

20. Subsequent Events

Subsequent events were evaluated for disclosure through September 25, 2018, the date the financial statements were available to be issued. There were no subsequent events requiring disclosure.