

BETHESDA FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

BETHESDA FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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July 8, 2019

Independent Auditors' Report

Board of Trustees
Bethesda Foundation, Inc.
Denver, Colorado

We have audited the accompanying financial statements of **Bethesda Foundation, Inc.** (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Bethesda Foundation, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The accompanying 2017 financial statements of Bethesda Foundation, Inc. were compiled by us. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. Accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Taylor, Roth and Company PLLC

Taylor, Roth and Company, PLLC
Certified Public Accountants
Denver, Colorado

BETHESDA FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018 (audited)	2017 (compiled)
<u>Assets</u>		
Cash and cash equivalents	\$ 258,395	\$ 148,725
Accounts receivable, net	-	3,379
Investments (Note 3)	85,345	82,229
Property and equipment, net (Note 4)	<u>667,199</u>	<u>680,564</u>
Total assets	<u>\$ 1,010,939</u>	<u>\$ 914,897</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 6,413	\$ 4,441
Accrued payroll expenses	14,114	2,814
Client deposits	24,400	-
Notes payable (Note 5)	<u>298,712</u>	<u>329,713</u>
Total liabilities	<u>343,639</u>	<u>336,968</u>
<u>Net assets</u>		
<u>Without donor restrictions</u>		
Undesignated	80,765	68,988
Net investment in property and equipment	449,587	434,383
Board-designated operating reserve	<u>7,558</u>	<u>7,558</u>
Total without donor restrictions	537,910	510,929
With donor restrictions (Note 7)	<u>129,390</u>	<u>67,000</u>
Total net assets	<u>667,300</u>	<u>577,929</u>
Total liabilities and net assets	<u>\$ 1,010,939</u>	<u>\$ 914,897</u>

The accompanying notes are an integral part of these financial statements

BETHESDA FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018 (audited)			2017 (compiled)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Program fees	\$ 284,108	\$ -	\$ 284,108	\$ 248,010
Less: scholarships	(15,000)	-	(15,000)	(15,570)
Net program fees	269,108	-	269,108	232,440
Contributions	112,241	106,769	219,010	256,550
Foundation grants	10,000	10,000	20,000	10,000
Special events, net (Note 8)	14,288	-	14,288	(4,945)
Investment income (Note 3)	3,317	-	3,317	2,945
Other income	-	-	-	1,542
In-kind contributions (Note 9)	8,220	-	8,220	8,220
Net assets released from restrictions (Note 10)	54,379	(54,379)	-	-
Total revenue and other support	471,553	62,390	533,943	506,752
<u>Expense</u>				
Program services	373,747	-	373,747	335,460
Supporting services				
Administration	43,356	-	43,356	41,049
Fund-raising	27,469	-	27,469	26,090
Total expense	444,572	-	444,572	402,599
Change in net assets	26,981	62,390	89,371	104,153
Net assets, beginning of year	510,929	67,000	577,929	473,776
Net assets, end of year	\$ 537,910	\$ 129,390	\$ 667,300	\$ 577,929

The accompanying notes are an integral part of these financial statements

BETHESDA FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018 (audited)			2017 (compiled)	
	Supporting Services				
	Program Services	Administration	Fund- raising	Total	Total
Salaries	\$ 104,149	\$ 20,829	\$ 13,887	\$ 138,865	\$ 137,019
Payroll taxes and benefits	23,756	4,751	3,167	31,674	28,977
Leadership counseling	122,012	-	-	122,012	97,052
Leadership family retreats	17,743	-	-	17,743	10,518
Interest	16,083	-	-	16,083	20,160
Contracted counseling	14,445	-	-	14,445	4,200
Utilities	13,214	-	-	13,214	12,058
Bank fees	9,059	1,007	-	10,066	8,257
Advertising	8,907	-	-	8,907	11,488
Accounting services	-	8,365	-	8,365	6,438
Rent	2,466	2,055	3,699	8,220	8,220
Insurance	4,733	947	631	6,311	6,193
Telephone and internet	3,834	767	511	5,112	5,038
All other	14,242	3,573	4,513	22,328	20,314
	354,643	42,294	26,408	423,345	375,932
Depreciation	19,104	1,062	1,061	21,227	26,667
Total expenses	\$ 373,747	\$ 43,356	\$ 27,469	\$ 444,572	\$ 402,599

The accompanying notes are an integral part of these financial statements

BETHESDA FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u> (audited)	<u>2017</u> (compiled)
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 89,371	\$ 104,153
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debts	1,368	1,207
Investment (gains) losses	(1,586)	(4,253)
Donated stock	(9,943)	-
Depreciation	21,227	26,667
<u>Changes in operating assets and liabilities</u>		
(Increase) decrease in accounts receivable	2,011	(1,769)
Increase(decrease) in accounts payable	1,972	(1,147)
Increase(decrease) in accrued payroll expenses	11,300	-
Increase(decrease) in client deposits	24,400	-
Net cash provided(used) by operating activities	<u>140,120</u>	<u>124,858</u>
<u>Cash flows from investing activities</u>		
(Purchases) of property and equipment	(7,862)	-
Proceeds from sales of investments	9,943	-
Reinvested interest and dividends on investments	(1,530)	(195)
Net cash provided(used) by investing activities	<u>551</u>	<u>(195)</u>
<u>Cash flows from financing activities</u>		
(Repayments) on notes payable	(31,001)	(87,925)
Net increase(decrease) in cash and cash equivalents	109,670	36,738
Cash and cash equivalents, beginning of year	<u>148,725</u>	<u>111,987</u>
Cash and cash equivalents, end of year	<u>\$ 258,395</u>	<u>\$ 148,725</u>
Supplemental disclosure of information:		
Cash paid during the period for interest	<u>\$ 16,083</u>	<u>\$ 20,160</u>

The accompanying notes are an integral part of these financial statements

BETHESDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - NATURE OF ACTIVITIES

Bethesda Foundation, Inc. (the Organization) was incorporated as a non-profit corporation in the state of Colorado in 1972. The Organization provides a comprehensive ministry to pastors and Christian leaders through its Quiet Waters Ministry program.

Bethesda Foundation, Inc.' mission is to renew, restore, and strengthen Christian leaders and their families. This is accomplished through the Leadership Counseling Intensives, which is a multi-disciplinary counseling/consulting program, and various mentoring and educational development programs for pastors and Christian leaders. The Organization is primarily funded through program fees and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U. S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restriction to net assets without donor restrictions in the statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a program. These restrictions expire when the assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

3. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

5. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

6. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$500. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which require use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

9. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

10. Functional Reporting of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of time and effort include salaries, payroll taxes and benefits, supplies, telephone, information services, and insurance. Rent is allocated based on square footage. All other costs are assigned directly to the program or functional area benefited.

11. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

12. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958)—*Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses net asset classification, information about liquidity, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

13. Reclassifications

Certain 2017 balances have been reclassified to conform to the 2018 financial statement presentation.

14. Subsequent Events

Management has evaluated subsequent events through July 8, 2019, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

The investments are valued using Level 1 measurements. Level 1 measurements for investments include those valued at fair market value based on quoted prices in active markets and other information generated by market transactions. Investments held by the Organization, valued using Level 1 measurements, consist of the following:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash, money market funds, FDIC deposits	<u>\$ 85,345</u>	<u>\$ 85,345</u>	<u>\$ -</u>

The Organization has significant investments in mutual funds, bonds, and equities and is, therefore, subject to credit risk. Though the market values of investments are subject to fluctuation on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization. No expenses related to investment revenues were paid for the year.

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Realized gains	\$ 1,586
Interest and dividends	<u>1,530</u>
Total	<u>\$ 3,116</u>

In addition, interest earned on operating cash balances was \$201 for the year.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of:

<u>Description</u>	<u>Amount</u>
Land	\$ 164,109
Retreat home	545,916
Furniture and equipment	150,159
Retreat home landscaping	91,305
Retreat home renovations	<u>41,501</u>
Total	992,990
Less: accumulated depreciation and amortization	<u>(325,791)</u>
Net property and equipment	<u>\$ 667,199</u>

Depreciation expense for the year was \$21,227.

NOTE 5 - NOTES PAYABLE

Notes payable consisted of the following:

<u>Description</u>	<u>Amount</u>
Local bank: Original amount \$304,151, dated November 24, 2009. Amended November 24, 2013, for additional borrowings of \$102,761. Amended principal amount of \$384,210; amended maturity date November 24, 2023. Monthly P & I payments of \$3,030. Interest calculated on the unpaid balance at a rate of Wall Street Journal Prime plus 2.00%; rate of 7.25% at December 31, 2018. Balloon payment due on November 24, 2023; secured by first deed of trust. Effective March 27, 2019, the interest rate is fixed at 6.50%	\$ 217,612
Unrelated corporation: Original amount of \$100,000; dated November 24, 2009; amended to mature December 24, 2019. Monthly payments of \$477 including interest at 4.0% per annum. Balloon payment due on December 24, 2019; unsecured	<u>81,100</u>
Total	<u><u>\$ 298,712</u></u>

The future minimum payments on the notes are as follows:

<u>Year</u>	
2019	\$ 104,093
2020	24,400
2021	26,034
2022	27,778
2023	<u>116,407</u>
Total	<u><u>\$ 298,712</u></u>

Interest expense on these notes for the year ended December 31, 2018, was \$16,083.

NOTE 6 - COMMITMENTS

Office Lease

The Organization leases in-kind office space under a 4-year lease which expires August 1, 2020. The lease may be terminated at any time if it can be satisfactorily released to another party. For the year ended December 31, 2018, the Organization recorded in-kind rent totaling \$8,220.

Grants

The grants require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in disallowed claims or questioned costs and may constitute a liability of the Organization.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are to be used for the following purposes:

<u>Description</u>	<u>Amount</u>
Capital campaign	\$ 83,195
Leadership financial assistance	24,215
Donor restricted endowment	21,530
Esperanza fund	450
Total	<u>\$ 129,390</u>

In 2001, the Organization established the Bethesda Foundation, Inc. Volunteer Endowment Fund. Earnings from this Fund were reinvested in the principal of the Fund for the first five years from the date of its establishment. After the first five years, only the earnings distributed from the Fund are to be spent. Earnings in excess of expenditures may be transferred to the principal of the Fund. The earnings distributed from this Fund may be utilized to help children suffering an emotional or mental problem. Should the program cease to exist in the future, the earnings may be utilized for a program purpose determined by the Board of Trustees of Bethesda Foundation, Inc. At year end, the investments totaled \$21,530. This amount has been invested with other investments of the Organization. The investment income on this balance has not been separately identified.

NOTE 8 - SPECIAL EVENTS

Special events for the year consisted of:

<u>Description</u>	<u>Amount</u>
Special events revenue	\$ 30,770
Less: direct expenses	<u>(16,482)</u>
Net special events revenue	<u>\$ 14,288</u>

Special events included a golf tournament and an auction. Direct special events expense consisted of items that are of direct benefit to the attendees. Donated auction items are included in special events revenue at the amounts received which totaled \$9,333 for the year ended December 31, 2018.

NOTE 9 - IN-KIND CONTRIBUTIONS

Donated rent is recorded as a contribution at the estimated fair value at the date of donation. The value of in-kind rent included in the financial statements for the year is \$8,220.

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Numerous volunteers have donated significant amounts of time to the Organization's activities and programs. The Organization received 6,536 donated hours during the year, valued at \$161,374. No amounts are recorded in the financial statements for the value of these services because they do not meet the criteria required under generally accepted accounting principles.

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTION

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

<u>Description</u>	<u>Amount</u>
Capital campaign	\$ 34,999
Scholarships	15,000
Leadership financial assistance	4,330
Esperanza fund	50
Total	<u>\$ 54,379</u>

NOTE 11 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

<u>Description</u>	<u>Amount</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 258,395
Investments	85,345
Total financial assets	343,740
Less amounts not available to be used within one year:	
Donor-restricted contributions - to be used for leadership financial assistance	(20,000)
Donor-restricted endowment	<u>(21,530)</u>
Total not available to be used within one year:	<u>(41,530)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 302,210</u>

The Organization considers donor-restricted contributions that will be spent within one year to be available for general expenditures. The Organization's goal is generally to maintain financial assets to meet 8 months of operating expenses, approximately \$288,000. As part of its liquidity plan, excess cash is maintained in a savings account and a money market fund account.

NOTE 12 - RETIREMENT PLANS

The Organization has a Simplified Employee Pension (SEP) Plan covering all employees who meet minimum age and service requirements. The Organization's contributions to this plan are 5% of the employee's base pay. In addition, the Organization has available a 403(b)(7) plan. All employees are eligible to participate with no waiting period. The Organization makes no contributions to this plan. The Organization's retirement plan contributions for the year ended December 31, 2018 were \$6,300.