

**BETHESDA WORKSHOPS**  
**Financial Statements**  
**December 31, 2016 and 2015**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Bethesda Workshops

We have audited the accompanying financial statements of Bethesda Workshops (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from 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 auditor's 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 Workshops as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Blankenship CPA Group, PLLC*

June 16, 2017

**BETHESDA WORKSHOPS**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 281,850	\$ 326,749
Accounts Receivable	77,134	53,704
Contributions Receivable	165,000	200,000
Prepaid Expenses	11,734	9,534
Inventory	4,752	6,757
Total Current Assets	<u>540,470</u>	<u>596,744</u>
<b>Fixed Assets</b>		
Leasehold Improvements	342,162	-
Furniture and Fixtures	23,716	10,000
Accumulated Depreciation	(10,000)	(8,500)
Total Fixed Assets, Net	<u>355,878</u>	<u>1,500</u>
<b>Other Assets</b>		
Deposits	<u>2,117</u>	-
Total Other Assets	<u>2,117</u>	-
 Total Assets	 <u><u>\$ 898,465</u></u>	 <u><u>\$ 598,244</u></u>
 <b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 149,759	\$ 25,082
Accrued Payroll	3,749	3,310
Deferred Revenue	6,750	6,944
Total Current Liabilities	<u>160,258</u>	<u>35,336</u>
<b>Net Assets</b>		
Unrestricted Net Assets	573,207	295,943
Temporarily Restricted Net Assets	165,000	266,965
Total Net Assets	<u>738,207</u>	<u>562,908</u>
 Total Liabilities and Net Assets	 <u><u>\$ 898,465</u></u>	 <u><u>\$ 598,244</u></u>

See notes to the financial statements.

**BETHESDA WORKSHOPS**  
**Statements of Activities**  
**For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>			<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and Revenues</b>						
Participant Fees	\$ 774,475	\$ -	\$ 774,475	\$ 686,473	\$ -	\$ 686,473
(Less Scholarships)	(40,211)	-	(40,211)	(56,928)	-	(56,928)
Consulting Income	6,003	-	6,003	2,355	-	2,355
Sales of Inventory	10,557	-	10,557	10,542	-	10,542
Contributions	66,577	150,356	216,933	39,900	292,160	332,060
Donated Facilities	26,750	-	26,750	36,850	-	36,850
Interest Income	84	-	84	67	-	67
Total Assets Released from Restrictions	252,321	(252,321)	-	34,753	(34,753)	-
Total Support and Revenues	<u>1,096,556</u>	<u>(101,965)</u>	<u>994,591</u>	<u>754,012</u>	<u>257,407</u>	<u>1,011,419</u>
<b>Functional Expenses</b>						
Program Expenses	708,119	-	708,119	586,040	-	586,040
Supporting Services						
Management and General	101,351	-	101,351	87,636	-	87,636
Fundraising	9,822	-	9,822	12,750	-	12,750
Total Support Services	<u>111,173</u>	<u>-</u>	<u>111,173</u>	<u>100,386</u>	<u>-</u>	<u>100,386</u>
Total Functional Expenses	<u>819,292</u>	<u>-</u>	<u>819,292</u>	<u>686,426</u>	<u>-</u>	<u>686,426</u>
<b>Increase (Decrease) in Net Assets</b>	<u>277,264</u>	<u>(101,965)</u>	<u>175,299</u>	<u>67,586</u>	<u>257,407</u>	<u>324,993</u>
<b>Net Assets - Beginning of Year</b>	<u>295,943</u>	<u>266,965</u>	<u>562,908</u>	<u>228,357</u>	<u>9,558</u>	<u>237,915</u>
<b>Net Assets - End of Year</b>	<u>\$ 573,207</u>	<u>165,000</u>	<u>\$ 738,207</u>	<u>\$ 295,943</u>	<u>\$ 266,965</u>	<u>\$ 562,908</u>

See notes to the financial statements.

**BETHESDA WORKSHOPS**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2016 and 2015**

	2016				2015			
	Supporting Services				Supporting Services			
	Program Expenses	Management and General	Fundraising Expenses	Total Expenses	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Advertising & Marketing	\$ 9,909	\$ -	\$ -	\$ 9,909	\$ 15,875	\$ -	\$ -	\$ 15,875
Audit/Tax Fees	-	7,036	-	7,036	-	7,044	-	7,044
Board Meeting Expenses	155	-	-	155	948	-	-	948
Conferences	-	6,978	-	6,978	-	8,046	-	8,046
Depreciation	1,500	-	-	1,500	2,000	-	-	2,000
Development	-	1,142	9,822	10,964	-	1,109	12,750	13,859
Donations	-	150	-	150	-	834	-	834
Donated Rent	26,750	-	-	26,750	26,850	-	-	26,850
Occupancy	43,402	5,919	-	49,321	80	-	-	80
Office Expenses	42,429	-	-	42,429	18,271	-	-	18,271
Postage and Shipping	-	917	-	917	-	1,195	-	1,195
Printing	6,433	-	-	6,433	5,879	-	-	5,879
Professional Consultation	-	-	-	-	-	250	-	250
Professional Dues	-	2,216	-	2,216	-	1,135	-	1,135
Professional Liability Insurance	12,435	-	-	12,435	7,764	-	-	7,764
Purchases of Inventory	9,146	-	-	9,146	7,061	-	-	7,061
Salaries, Benefits & Taxes	211,685	74,376	-	286,061	163,054	59,390	-	222,444
Staff Development	-	2,617	-	2,617	-	8,633	-	8,633
Web Service	5,436	-	-	5,436	4,144	-	-	4,144
Workshop - Credit Card Processing	32,668	-	-	32,668	30,256	-	-	30,256
Workshop - Food	28,766	-	-	28,766	28,994	-	-	28,994
Workshop - Giveaways	2,592	-	-	2,592	4,887	-	-	4,887
Workshop - Leader Fees	181,810	-	-	181,810	192,663	-	-	192,663
Workshop - Lodging	80,799	-	-	80,799	66,109	-	-	66,109
Workshop - Misc	7,192	-	-	7,192	7,163	-	-	7,163
Workshop - Supplies	5,012	-	-	5,012	4,043	-	-	4,043
	<u>\$ 708,119</u>	<u>\$ 101,351</u>	<u>\$ 9,822</u>	<u>\$ 819,292</u>	<u>\$ 586,040</u>	<u>\$ 87,636</u>	<u>\$ 12,750</u>	<u>\$ 686,426</u>

See notes to the financial statements.

**BETHESDA WORKSHOPS**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Increase in Net Assets	\$ 175,299	\$ 324,993
Adjustments to Reconcile Increase in Net Assets to		
Cash Provided by Operating Activities:		
Depreciation	1,500	2,000
(Increase) Decrease in:		
Accounts Receivable	(23,430)	(11,556)
Contributions Receivable	35,000	(200,000)
Prepaid Expenses	(2,200)	(4,073)
Inventory	2,005	(987)
Deposits	(2,117)	-
Increase (Decrease) in:		
Accounts Payable	124,677	23,130
Accrued Payroll	439	(5,801)
Deferred Revenue	(194)	(556)
Total Adjustments	<u>135,680</u>	<u>(197,843)</u>
Net Cash Provided by Operating Activities	<u>310,979</u>	<u>127,150</u>
<b>Cash Flows from Investing Activities</b>		
Payments for the Purchase of Fixed Assets	<u>(355,878)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(355,878)</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash</b>	(44,899)	127,150
<b>Cash - Beginning of Year</b>	<u>326,749</u>	<u>199,599</u>
<b>Cash - End of Year</b>	<u><u>\$ 281,850</u></u>	<u><u>\$ 326,749</u></u>

See notes to the financial statements.

**BETHESDA WORKSHOPS**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 1. Summary of Significant Accounting Policies**

**A. Nature of Activities**

Bethesda Workshops is a nonprofit corporation whose mission is to provide a place for healing for those damaged by pornography and other forms of sexual addictions; and to provide training for professionals who work with sex addicts and their loved ones.

Bethesda Workshops started in 1997 and was conducted as a ministry of the Woodmont Hills Church (Family of God at Woodmont Hills) until October 1, 2011. Effective October 1, 2011, Bethesda Workshops became a separate legal entity designated as a 501(c)(3) tax exempt organization.

During each year ended December 31, 2016 and 2015, Bethesda hosted twenty-one workshops with 312 and 325 participants (individuals and couples).

**B. Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

**C. Net Asset Presentation**

The net assets of Bethesda Workshops and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of Bethesda Workshops and/or the passage of time.

**D. Estimates**

The preparation of the 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.

**E. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash includes cash on hand and demand deposits. Bethesda Workshops has no cash equivalents.

**F. Contributions Receivable**

Contributions receivable, including unconditional promises to give, are recorded as made. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value. Management has evaluated the collectability of contributions receivable based on historical trends and current information and has determined that an allowance for uncollectible contributions is not necessary.

**G. Inventory**

Inventory consists of books, CD's and other materials purchased and used in workshops and available for sale. Inventory is valued at the lower of cost or market on a first-in, first-out (FIFO) method.

**H. Fixed Assets**

Fixed assets with an estimated useful life of greater than one year are carried at cost if purchased or fair market value if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which is 5 years. Depreciation expense is \$1,500 and \$2,000 for the years ended December 31, 2016 and 2015.



**BETHESDA WORKSHOPS**  
**Notes to Financial Statement - Continued**  
**December 31, 2016 and 2015**

**Note 1. Summary of Significant Accounting Policies – Continued**

**H. Fixed Assets**

Contributed fixed assets are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

**I. Accrued Paid Time Off**

Employees at Bethesda Workshops earn paid time off (PTO) each month according to their number of years of service. Bethesda Workshops does not allow unused PTO to be carried over or paid at termination and, therefore has not recognized a liability at December 31, 2016 and 2015.

**J. Revenue Recognition and Accounts Receivable**

Workshops are provided to participants based on a fee structure including a non-refundable deposit recognized as revenue when billed. Remaining workshop participant fees are deferred until the start date of the workshop when revenue is recognized. Scholarships are awarded by management and are shown in the statement of activities as a reduction of participant fees.

Accounts receivable due from workshop participants are recorded at the outstanding balance, less an allowance for doubtful accounts. The allowance for doubtful accounts is reserved by management based on historical trends and current information. As of December 31, 2016 and 2015, management believes all accounts are collectible within one year and no allowance has been recorded. It is Bethesda Workshop's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**K. Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**L. Contributed Services**

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**M. Income Taxes**

Bethesda Workshops is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**N. Functional Expenses**

The costs of providing the various programs have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**O. Advertising Costs**

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2016 and 2015 were \$9,909 and \$15,875.

**BETHESDA WORKSHOPS**  
**Notes to Financial Statement - Continued**  
**December 31, 2016 and 2015**

**Note 2. Contributions Receivable**

The amounts of contributions receivable as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Temporarily Restricted	\$ 165,000	\$ 200,000
Less:		
Discounts for the Time Value of Money	-	-
Contributions Receivable, Net	<u>\$ 165,000</u>	<u>\$ 200,000</u>

Future collections of contributions as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in Less than One Year	\$ 95,000	\$ 75,000
Receivable in One to Five Years	70,000	125,000
Total Receivables	<u>\$ 165,000</u>	<u>\$ 200,000</u>

**Note 3. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2016 and 2015 consist of amounts subject to donor-imposed stipulations that they be spent for the following purposes:

	<u>2016</u>	<u>2015</u>
Expansion	\$ 125,000	\$ 266,965
Time Restrictions	40,000	-
	<u>\$ 165,000</u>	<u>\$ 266,965</u>

**Note 4. Contributed Facilities**

Donated use of facilities used in the ongoing operations of Bethesda Workshops for the year ended December 31, 2016 and 2015 are as follows:

<b>Revenues</b>		
	<u>2016</u>	<u>2015</u>
Donated Facilities	<u>\$ 26,750</u>	<u>\$ 36,850</u>
<b>Expenses</b>		
	<u>2016</u>	<u>2015</u>
Rent	\$ 26,750	\$ 26,850
Workshop - Lodging	-	10,000
	<u>\$ 26,750</u>	<u>\$ 36,850</u>

**Note 5. Retirement Plan**

Bethesda Workshops offers a SIMPLE IRA retirement plan to eligible employees. Bethesda Workshops matches employee contributions at a rate up to 3%. Employer contributions to the plan for the years ended December 31, 2016 and 2015 were \$5,778 and \$4,728.

**Note 6. Operating Leases**

Bethesda Workshops leases copiers under multiple operation leases expiring at various times through April 2019.

Bethesda Workshops began leasing office space in June 2016. The lease includes monthly payments of \$2,475 for the first two months and \$6,475 for the next twelve months. After the first fourteen months, monthly rental payments increase \$750 each year. The lease expires July 31, 2026.

Rent expense for all operating leases for the years ended December 31, 2016 and 2015 was \$44,066 and \$5,879.

**BETHESDA WORKSHOPS**  
**Notes to Financial Statement - Continued**  
**December 31, 2016 and 2015**

**Note 6. Operating Leases – Continued**

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 84,478
2018	94,008
2019	100,902
2020	109,200
2021	118,200
Thereafter	642,150
Total	<u>\$1,148,938</u>

**Note 7. Related Party Transactions**

Bethesda Workshops receives donated facilities from Woodmont Hills Church (see Note 4). For the years ended December 31, 2016 and 2015, Bethesda Workshops reimbursed Woodmont Hills Church \$0 and \$80 for utilities.

**Note 8. Concentration of Risk**

Bethesda Workshops holds cash with one financial institution in Nashville, Tennessee. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016, Bethesda Workshop's cash accounts exceeded the insurance coverage by \$35,677. Bethesda Workshop believes it is not exposed to any significant credit risk on cash and equivalents.

Bethesda Workshops has a concentration of risk related to revenue. Revenue earned from one source during the year ended December 31, 2015 was 25% of total revenue.

**Note 9. Subsequent Events**

Bethesda Workshops has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2016 through June 16, 2017 the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.