

BETHESDA WORKSHOPS
Financial Statements
December 31, 2018 and 2017

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Independent Auditors' Report

Board of Directors of
Bethesda Workshops

Report on the Financial Statements

We have audited the accompanying financial statements of Bethesda Workshops (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Auditors' 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 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 Workshops as of December 31, 2018 and 2017, 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

Blankenship CPA Group, PLLC
Goodlettsville, Tennessee
June 12, 2019

BETHESDA WORKSHOPS
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash	\$ 225,263	\$ 195,663
Accounts Receivable	51,860	42,287
Contributions Receivable	-	88,750
Prepaid Expenses	4,776	2,500
Inventory	4,199	5,753
Total Current Assets	<u>286,098</u>	<u>334,953</u>
Fixed Assets		
Land	191,761	-
Building and Improvements	1,112,308	-
Leasehold Improvements	-	345,264
Furniture and Fixtures	23,716	23,716
Accumulated Depreciation	(64,801)	(35,761)
Total Fixed Assets, Net	<u>1,262,984</u>	<u>333,219</u>
Other Assets		
Deposits	<u>8,920</u>	<u>102,117</u>
Total Assets	<u><u>\$ 1,558,002</u></u>	<u><u>\$ 770,289</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 3,070	\$ 1,147
Accrued Payroll	3,818	3,094
Deferred Revenue	13,025	2,000
Current Portion of Long-Term Debt	32,274	-
Total Current Liabilities	<u>52,187</u>	<u>6,241</u>
Long-Term Debt, Net	<u>658,533</u>	<u>-</u>
Total Liabilities	<u>710,720</u>	<u>6,241</u>
Net Assets		
Without Donor Restrictions	847,282	675,298
With Donor Restrictions	-	88,750
Total Net Assets	<u>847,282</u>	<u>764,048</u>
Total Liabilities and Net Assets	<u><u>\$ 1,558,002</u></u>	<u><u>\$ 770,289</u></u>

See notes to financial statements.

BETHESDA WORKSHOPS
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Participant Fees	\$ 758,800	\$ -	\$ 758,800	\$ 831,431	\$ -	\$ 831,431
(Less Scholarships)	(28,474)	-	(28,474)	(27,759)	-	(27,759)
Consulting Income	6,056	-	6,056	2,436	-	2,436
Sales of Inventory	7,679	-	7,679	8,786	-	8,786
Contributions	83,578	-	83,578	39,466	-	39,466
Rental Income	250	-	250	750	-	750
Interest Income	941	-	941	32	-	32
Total Assets Released from Restrictions	88,750	(88,750)	-	76,250	(76,250)	-
Total Support and Revenues	917,580	(88,750)	828,830	931,392	(76,250)	855,142
Functional Expenses						
Program Expenses	652,768	-	652,768	724,908	-	724,908
Supporting Services						
Management and General	92,828	-	92,828	101,243	-	101,243
Fundraising	-	-	-	3,150	-	3,150
Total Support Services	92,828	-	92,828	104,393	-	104,393
Total Functional Expenses	745,596	-	745,596	829,301	-	829,301
Increase (Decrease) in Net Assets	171,984	(88,750)	83,234	102,091	(76,250)	25,841
Net Assets - Beginning of Year	675,298	88,750	764,048	573,207	165,000	738,207
Net Assets - End of Year	<u>\$ 847,282</u>	<u>\$ -</u>	<u>\$ 847,282</u>	<u>\$ 675,298</u>	<u>\$ 88,750</u>	<u>\$ 764,048</u>

See notes to financial statements.

BETHESDA WORKSHOPS
Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	2018			2017			
	Supporting Services			Supporting Services			
	Program Expenses	Management and General	Total Expenses	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Advertising and Marketing	\$ 20,085	\$ -	\$ 20,085	\$ 11,079	\$ -	\$ -	\$ 11,079
Amortization	69	-	69	-	-	-	-
Audit and Tax Fees	-	7,900	7,900	-	7,400	-	7,400
Board Meeting Expenses	151	-	151	277	-	-	277
Conferences	-	7,487	7,487	-	8,942	-	8,942
Depreciation	25,554	3,485	29,039	22,670	3,091	-	25,761
Development	-	-	-	-	-	3,150	3,150
Donations	-	80	80	-	1,000	-	1,000
Occupancy	102,149	13,929	116,078	116,476	15,883	-	132,359
Office Expenses	6,138	-	6,138	10,361	-	-	10,361
Postage and Shipping	-	852	852	-	894	-	894
Printing	6,212	-	6,212	6,419	-	-	6,419
Professional Consultation	-	-	-	-	41	-	41
Professional Dues	-	5,162	5,162	-	2,315	-	2,315
Professional Liability Insurance	19,048	-	19,048	14,363	-	-	14,363
Purchases of Inventory	6,473	-	6,473	6,763	-	-	6,763
Salaries, Benefits and Taxes	147,011	51,652	198,663	170,390	59,867	-	230,257
Staff Development	-	2,281	2,281	-	1,810	-	1,810
Web Service	25,004	-	25,004	3,339	-	-	3,339
Workshop - Building	-	-	-	4,597	-	-	4,597
Workshop - Credit Card Processing	29,062	-	29,062	37,919	-	-	37,919
Workshop - Food	24,296	-	24,296	28,640	-	-	28,640
Workshop - Giveaways	1,181	-	1,181	4,103	-	-	4,103
Workshop - Leader Fees	157,343	-	157,343	198,319	-	-	198,319
Workshop - Lodging	70,741	-	70,741	80,773	-	-	80,773
Workshop - Misc	6,195	-	6,195	6,852	-	-	6,852
Workshop - Supplies	6,056	-	6,056	1,568	-	-	1,568
	<u>\$ 652,768</u>	<u>\$ 92,828</u>	<u>\$ 745,596</u>	<u>\$ 724,908</u>	<u>\$ 101,243</u>	<u>\$ 3,150</u>	<u>\$ 829,301</u>

See notes to financial statements.

BETHESDA WORKSHOPS
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 83,234	\$ 25,841
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	29,108	25,761
(Increase) Decrease in:		
Accounts Receivable	(9,573)	34,847
Contributions Receivable	88,750	76,250
Prepaid Expenses	(2,276)	9,234
Inventory	1,554	(1,001)
Deposits	93,197	(100,000)
Increase (Decrease) in:		
Accounts Payable	1,923	(148,612)
Accrued Payroll	724	(655)
Deferred Revenue	11,025	(4,750)
Total Adjustments	<u>214,432</u>	<u>(108,926)</u>
Net Cash Provided (Used) by Operating Activities	<u>297,666</u>	<u>(83,085)</u>
Cash Flows from Investing Activities		
Payments for the Purchase of Fixed Assets	<u>(958,805)</u>	<u>(3,102)</u>
Net Cash Used by Investing Activities	<u>(958,805)</u>	<u>(3,102)</u>
Cash Flows from Financing Activities		
Borrowings on Long-Term Debt	700,000	-
Payments on Long-Term Debt	(5,117)	-
Payment for Loan Costs	<u>(4,144)</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>690,739</u>	<u>-</u>
Net Increase (Decrease) in Cash	29,600	(86,187)
Cash - Beginning of Year	<u>195,663</u>	<u>281,850</u>
Cash - End of Year	<u><u>\$ 225,263</u></u>	<u><u>\$ 195,663</u></u>
Supplemental Disclosures of Cash Flows Information		
Cash Paid During the Year for:		
Interest	<u><u>\$ 6,157</u></u>	<u><u>\$ -</u></u>
Noncash Activities:		
Fixed Assets Acquired through Issuance of Debt	<u><u>\$ 700,000</u></u>	<u><u>\$ -</u></u>
Fixed Assets Acquired using Accounts Payable	<u><u>\$ -</u></u>	<u><u>\$ 123,262</u></u>

See notes to financial statements.

BETHESDA WORKSHOPS
Notes to Financial Statements
December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies

A. Nature of Activities

Bethesda Workshops is a not-for-profit 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.

During each year ended December 31, 2018 and 2017, Bethesda Workshops hosted 21 and 24 workshops with 267 and 317 participants (individuals and couples), respectively.

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 (U.S. GAAP). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

C. Financial Statement Presentation

Financial statement presentation is reported in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification for *Presentation of Financial Statements, Not-For-Profit Entities*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

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 Bethesda Workshops' management and the board of directors.

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, where by the donor has stipulated 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 released from restrictions and reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

D. Estimates

The preparation of the financial statements in conformity with U.S. GAAP 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 statements 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.

BETHESDA WORKSHOPS
Notes to Financial Statements – Continued
December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies – Continued

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 net realizable value 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 estimated fair market value if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years. Depreciation expense is \$29,039 and \$25,761 for the years ended December 31, 2018 and 2017.

Contributed fixed assets are recorded at estimated fair market 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 fixed assets 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, 2018 and 2017.

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 statements 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, 2018 and 2017, 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 net assets with donor restrictions. 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 statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

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 estimated fair values in the period received.

M. Income Taxes

Bethesda Workshops is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

BETHESDA WORKSHOPS
Notes to Financial Statements – Continued
December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies – Continued

N. Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services – includes the direct cost of providing 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

Management and General – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of Bethesda Workshop's program strategy, business management, general record keeping, budgeting and related purposes.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

O. Functional Expenses

The costs of providing program services have been summarized on a functional basis in the statements of activities. Some costs have been charged using specific identification. The costs that include a reasonable allocation method include depreciation and occupancy, which are allocated on a square footage basis, as well as salaries, benefits and taxes, which are allocated on the basis of time and effort.

P. Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2018 and 2017 were \$20,085 and \$11,079.

Q. New Accounting Pronouncement

In August 2016, FASB Issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for Profit Entities*. ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Bethesda Workshops has presented these statements in accordance with the new standard.

R. Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. These reclassifications had no effect on the reported financial position or change in net assets.

Note 2. Availability and Liquidity

The following represents Bethesda Workshops' financial assets at December 31, 2018:

Financial assets:	2018
Cash	<u>\$225,263</u>
Accounts receivable	<u>51,860</u>
Total financial assets at year end:	<u>277,123</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$277,123</u></u>

Bethesda Workshops' goal is to maintain financial assets to meet three months of operating expenses which is estimated to be approximately \$87,000. As part of its liquidity plan, excess cash is invested in money market accounts.

BETHESDA WORKSHOPS
Notes to Financial Statements – Continued
December 31, 2018 and 2017

Note 3. Contributions Receivable

There are no contributions receivable as of December 31, 2018. The amounts of contributions receivable as of December 31, 2017 are as follows:

	<u>2017</u>
With Donor Restrictions	\$ 88,750
Contributions Receivable, Net	<u>\$ 88,750</u>

Future collections of contributions as of December 31, 2017 are as follows:

	<u>2017</u>
Receivable in Less than One Year	\$ 88,750
Receivable in One to Five Years	-
Total Receivables	<u>\$ 88,750</u>

Note 4. Long-Term Debt

Long-term debt at December 31, 2018 consists of the following:

	<u>2018</u>
Note Payable with First Tennessee Bank, maturing October 2033. Monthly payment of \$5,637 including interest of 5.2% per annum. Real property is pledged as collateral.	\$ 694,883
Less Current Portion	(32,274)
Less Unamortized Loan Costs	(4,076)
Total Long- Term Debt	<u>\$ 658,533</u>

Future maturities of long-term debt at December 31, 2018 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 32,274
2020	33,993
2021	35,804
2022	37,710
2023	39,719
Thereafter	515,383
Less Loan Acquisition Costs	(4,076)
Total	<u>\$ 690,807</u>

Note 5. Net Assets

As of December 31, 2018, there are no net assets with donor restrictions. Net assets with donor restrictions as of December 31, 2017 consist of amounts subject to be spent for the following purposes:

	<u>2017</u>
Expansion	\$ 68,750
Time Restrictions	20,000
	<u>\$ 88,750</u>

Note 6. 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, 2018 and 2017 were \$3,368 and \$3,788.

BETHESDA WORKSHOPS
Notes to Financial Statements – Continued
December 31, 2018 and 2017

Note 7. Operating Lease

Bethesda Workshops leases a copier under an operating lease expiring in June 2019.

Bethesda Workshops leased office space under an operating lease through October 2018 until purchasing the leased real property.

Rent expense for all operating leases for the years ended December 31, 2018 and 2017 was \$65,182 and \$86,661.

Future minimum lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 1,404

Note 8. Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new accounting guidance will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019.

In August 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This standard clarifies the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 will result in treatment of most federal grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. This standard is effective for nonpublic entities for fiscal years beginning after December 15, 2020.

Bethesda Workshops is currently evaluating the effect that implementation of ASU 2016-02 and 2018-08 will have on its financial position, results of operations, and cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. This standard requires organizations to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application is permitted. Entities are required to apply the amendments at the beginning of the earliest period presented using a modified retrospective approach. Bethesda Workshops does not expect the provisions of this new accounting guidance to have a material impact on its financial position, results of operations, and cash flows.

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, 2018 through June 12, 2019 the date the financial statements were available to be issued.