

BETHESDA WORKSHOPS
Financial Statements
December 31, 2017 and 2016

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BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2017 and 2016, 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, 2017 and 2016, 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

July 30, 2018

BETHESDA WORKSHOPS
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash	\$ 195,663	\$ 281,850
Accounts Receivable	42,287	77,134
Contributions Receivable	88,750	165,000
Prepaid Expenses	2,500	11,734
Inventory	5,753	4,752
Total Current Assets	<u>334,953</u>	<u>540,470</u>
Fixed Assets		
Leasehold Improvements	345,264	342,162
Furniture and Fixtures	23,716	23,716
Accumulated Depreciation	(35,761)	(10,000)
Total Fixed Assets, Net	<u>333,219</u>	<u>355,878</u>
Other Assets		
Deposits	102,117	2,117
Total Other Assets	<u>102,117</u>	<u>2,117</u>
Total Assets	<u><u>\$ 770,289</u></u>	<u><u>\$ 898,465</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 1,147	\$ 149,759
Accrued Payroll	3,094	3,749
Deferred Revenue	2,000	6,750
Total Current Liabilities	<u>6,241</u>	<u>160,258</u>
Net Assets		
Unrestricted Net Assets	675,298	573,207
Temporarily Restricted Net Assets	88,750	165,000
Total Net Assets	<u>764,048</u>	<u>738,207</u>
Total Liabilities and Net Assets	<u><u>\$ 770,289</u></u>	<u><u>\$ 898,465</u></u>

See notes to the financial statements.

BETHESDA WORKSHOPS
Statements of Activities
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenues						
Participant Fees	\$ 831,431	\$ -	\$ 831,431	\$ 774,475	\$ -	\$ 774,475
(Less Scholarships)	(27,759)	-	(27,759)	(40,211)	-	(40,211)
Consulting Income	2,436	-	2,436	6,003	-	6,003
Sales of Inventory	8,786	-	8,786	10,557	-	10,557
Contributions	26,331	13,135	39,466	66,577	150,356	216,933
Donated Facilities	-	-	-	26,750	-	26,750
Rental Income	750	-	750	-	-	-
Interest Income	32	-	32	84	-	84
Total Assets Released from Restrictions	89,385	(89,385)	-	252,321	(252,321)	-
Total Support and Revenues	931,392	(76,250)	855,142	1,096,556	(101,965)	994,591
Functional Expenses						
Program Expenses	724,908	-	724,908	708,119	-	708,119
Supporting Services						
Management and General	101,243	-	101,243	101,351	-	101,351
Fundraising	3,150	-	3,150	9,822	-	9,822
Total Support Services	104,393	-	104,393	111,173	-	111,173
Total Functional Expenses	829,301	-	829,301	819,292	-	819,292
Increase (Decrease) in Net Assets	102,091	(76,250)	25,841	277,264	(101,965)	175,299
Net Assets - Beginning of Year	573,207	165,000	738,207	295,943	266,965	562,908
Net Assets - End of Year	<u>\$ 675,298</u>	<u>88,750</u>	<u>\$ 764,048</u>	<u>\$ 573,207</u>	<u>\$ 165,000</u>	<u>\$ 738,207</u>

See notes to the financial statements.

BETHESDA WORKSHOPS
Statements of Functional Expenses
For the Years Ended December 31, 2017 and 2016

2017

2016

	2017				2016			
	Supporting Services				Supporting Services			
	Program Expenses	Management and General	Fundraising Expenses	Total Expenses	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Advertising & Marketing	\$ 11,079	\$ -	\$ -	\$ 11,079	\$ 9,909	\$ -	\$ -	\$ 9,909
Audit/Tax Fees	-	7,400	-	7,400	-	7,036	-	7,036
Board Meeting Expenses	277	-	-	277	155	-	-	155
Conferences	-	8,942	-	8,942	-	6,978	-	6,978
Depreciation	22,670	3,091	-	25,761	1,500	-	-	1,500
Development	-	-	3,150	3,150	-	1,142	9,822	10,964
Donations	-	1,000	-	1,000	-	150	-	150
Donated Rent	-	-	-	-	26,750	-	-	26,750
Occupancy	116,476	15,883	-	132,359	43,402	5,919	-	49,321
Office Expenses	10,361	-	-	10,361	42,429	-	-	42,429
Postage and Shipping	-	894	-	894	-	917	-	917
Printing	6,419	-	-	6,419	6,433	-	-	6,433
Professional Consultation	-	41	-	41	-	-	-	-
Professional Dues	-	2,315	-	2,315	-	2,216	-	2,216
Professional Liability Insurance	14,363	-	-	14,363	12,435	-	-	12,435
Purchases of Inventory	6,763	-	-	6,763	9,146	-	-	9,146
Salaries, Benefits & Taxes	170,390	59,867	-	230,257	211,685	74,376	-	286,061
Staff Development	-	1,810	-	1,810	-	2,617	-	2,617
Web Service	3,339	-	-	3,339	5,436	-	-	5,436
Workshop - Building	4,597	-	-	4,597	-	-	-	-
Workshop - Credit Card Processing	37,919	-	-	37,919	32,668	-	-	32,668
Workshop - Food	28,640	-	-	28,640	28,766	-	-	28,766
Workshop - Giveaways	4,103	-	-	4,103	2,592	-	-	2,592
Workshop - Leader Fees	198,319	-	-	198,319	181,810	-	-	181,810
Workshop - Lodging	80,773	-	-	80,773	80,799	-	-	80,799
Workshop - Misc	6,852	-	-	6,852	7,192	-	-	7,192
Workshop - Supplies	1,568	-	-	1,568	5,012	-	-	5,012
	<u>\$ 724,908</u>	<u>\$ 101,243</u>	<u>\$ 3,150</u>	<u>\$ 829,301</u>	<u>\$ 708,119</u>	<u>\$ 101,351</u>	<u>\$ 9,822</u>	<u>\$ 819,292</u>

See notes to the financial statements.

BETHESDA WORKSHOPS
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 25,841	\$ 175,299
Adjustments to Reconcile Increase in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Depreciation	25,761	1,500
(Increase) Decrease in:		
Accounts Receivable	34,847	(23,430)
Contributions Receivable	76,250	35,000
Prepaid Expenses	9,234	(2,200)
Inventory	(1,001)	2,005
Deposits	(100,000)	(2,117)
Increase (Decrease) in:		
Accounts Payable	(148,612)	1,415
Accrued Payroll	(655)	439
Deferred Revenue	(4,750)	(194)
Total Adjustments	<u>(108,926)</u>	<u>12,418</u>
Net Cash (Used) Provided by Operating Activities	<u>(83,085)</u>	<u>187,717</u>
Cash Flows from Investing Activities		
Payments for the Purchase of Fixed Assets	<u>(3,102)</u>	<u>(232,616)</u>
Net Cash Used by Investing Activities	<u>(3,102)</u>	<u>(232,616)</u>
Net Decrease in Cash	(86,187)	(44,899)
Cash - Beginning of Year	<u>281,850</u>	<u>326,749</u>
Cash - End of Year	<u><u>\$ 195,663</u></u>	<u><u>\$ 281,850</u></u>
Supplemental Disclosures of Cash Flow Information		
Noncash Activities:		
Fixed Assets Acquired Using Accounts Payable	<u><u>\$ -</u></u>	<u><u>\$ 123,262</u></u>

See notes to the financial statements.

BETHESDA WORKSHOPS
Notes to Financial Statements
December 31, 2017 and 2016

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.

During each year ended December 31, 2017 and 2016, Bethesda hosted 24 and 21 workshops with 317 and 312 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. 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 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 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 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 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 for equipment and furniture and fixtures and 15 years for leasehold improvements. Depreciation expense is \$25,761 and \$1,500 for the years ended December 31, 2017 and 2016.

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.

BETHESDA WORKSHOPS
Notes to Financial Statement - Continued
December 31, 2017 and 2016

Note 1. Summary of Significant Accounting Policies – Continued

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, 2017 and 2016.

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, 2017 and 2016, 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, 2017 and 2016 were \$11,079 and \$9,909.

P. Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

BETHESDA WORKSHOPS
Notes to Financial Statement - Continued
December 31, 2017 and 2016

Note 2. Contributions Receivable

The amounts of contributions receivable as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Temporarily Restricted	\$ 88,750	\$ 165,000
Contributions Receivable, Net	<u>\$ 88,750</u>	<u>\$ 165,000</u>

Future collections of contributions as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in Less than One Year	\$ 88,750	\$ 95,000
Receivable in One to Five Years	-	70,000
Total Receivables	<u>\$ 88,750</u>	<u>\$ 165,000</u>

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2017 and 2016 consist of amounts subject to donor-imposed stipulations that they be spent for the following purposes:

	<u>2017</u>	<u>2016</u>
Expansion	\$ 68,750	\$ 125,000
Time Restrictions	20,000	40,000
	<u>\$ 88,750</u>	<u>\$ 165,000</u>

Note 4. Contributed Facilities

Donated use of facilities used in the ongoing operations of Bethesda Workshops for the year ended December 31, 2017 and 2016 are as follows:

Revenues		
	<u>2017</u>	<u>2016</u>
Donated Facilities	<u>\$ -</u>	<u>\$ 26,750</u>
Expenses		
	<u>2017</u>	<u>2016</u>
Rent	\$ -	\$ 26,750
Workshop - Lodging	-	10,000
	<u>\$ -</u>	<u>\$ 36,750</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, 2017 and 2016 were \$3,788 and \$5,778.

Note 6. Operating Leases

Bethesda Workshops leases copiers under multiple operating leases expiring at various times through June 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.

The office space lease includes a purchase option of \$950,000. Payments towards the purchase price can be made at any time in increments of \$50,000. Each \$50,000 payment reduces the purchase price and reduces all future monthly rental payments by \$333. As of December 31, 2017, Bethesda Workshops had paid \$100,000 towards the purchase price. These payments are classified as deposits on the Statement of Financial Position.

BETHESDA WORKSHOPS
Notes to Financial Statement - Continued
December 31, 2017 and 2016

Note 6. Operating Leases – Continued

Rent expense for all operating leases for the years ended December 31, 2017 and 2016 was \$86,661 and \$44,066.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2018	\$ 83,562
2019	96,158
2020	98,754
2021	107,754
2022	116,754
Thereafter	491,181
Total	<u>\$ 994,163</u>

Note 7. 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.

Note 8. Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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.

The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019. Bethesda Workshops is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, that is intended to improve financial reporting relating to liquidity, financial performance and cash flows.

More specifically, the changes affect net asset classifications by reflecting two classifications of net assets, one "without donor-imposed restrictions" and one "with donor-imposed restrictions," which differ from the traditional classifications of unrestricted, temporarily restricted, and permanently restricted. In addition, reporting of expenses by both natural and functional classification is required and investment returns must be reflected net of related investment expenses. The cash flows statement is also allowed to be restructured by using the direct method of reporting and there are further disclosures regarding an organization's liquidity.

The new standard is effective for fiscal years beginning after December 15, 2017. Bethesda Workshops is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Note 10. Subsequent Events

Bethesda Workshops has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2017 through July 30, 2018 the date the financial statements were available to be issued.