

Bethesda Workshops

Financial Statements
For the Years Ended December 31, 2021 and 2020

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For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Bethesda Workshops

Opinion

We have audited the financial statements of Bethesda Workshops (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Goodlettsville, Tennessee
March 14, 2022

Bethesda Workshops
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 309,704	\$ 286,571
Investments	27,881	-
Accounts receivable	102,282	42,461
Prepaid expenses	12,908	19,506
Inventory	2,655	3,963
Total current assets	455,430	352,501
Fixed assets		
Land	191,761	191,761
Building and improvements	1,181,819	1,181,819
Furniture and fixtures	36,716	36,716
Less: accumulated depreciation	(216,290)	(164,920)
Fixed assets, net	1,194,006	1,245,376
Deposits	200	200
Total assets	\$ 1,649,636	\$ 1,598,077
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 3,084	\$ 23,175
Accrued payroll	3,938	7,615
Deferred revenues	11,950	11,450
Long-term debt, current portion	37,710	48,016
Total current liabilities	56,682	90,256
Long-term debt, net of current portion	427,673	629,292
Total liabilities	484,355	719,548
Net assets		
Without donor restrictions	1,145,781	878,529
With donor restrictions	19,500	-
Total net assets	1,165,281	878,529
Total liabilities and net assets	\$ 1,649,636	\$ 1,598,077

Bethesda Workshops
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Participant fees, net	\$ 739,015	\$ -	\$ 739,015
Contributions	78,588	19,500	98,088
Consulting income	9,241	-	9,241
Sales of inventory	1,195	-	1,195
Interest income	646	-	646
Investment income	5,381	-	5,381
Other income	131,823	-	131,823
Total support and revenues	<u>965,889</u>	<u>19,500</u>	<u>985,389</u>
Expenses			
Program services	613,851	-	613,851
Management and general	<u>84,786</u>	<u>-</u>	<u>84,786</u>
Total expenses	698,637	-	698,637
Changes in net assets	267,252	19,500	286,752
Net assets, beginning of year	<u>878,529</u>	<u>-</u>	<u>878,529</u>
Net assets, end of year	\$ 1,145,781	\$ 19,500	\$ 1,165,281

Bethesda Workshops
Statement of Activities
For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Participant fees, net	\$ 399,735	\$ -	\$ 399,735
Contributions	135,059	-	135,059
Consulting income	10,883	-	10,883
Sales of inventory	1,976	-	1,976
Rental income	200	-	200
Interest income	141	-	141
Total support and revenues	<u>547,994</u>	<u>-</u>	<u>547,994</u>
Expenses			
Program services	529,895	-	529,895
Management and general	<u>98,012</u>	<u>-</u>	<u>98,012</u>
Total expenses	<u>627,907</u>	<u>-</u>	<u>627,907</u>
Changes in net assets	(79,913)	-	(79,913)
Net assets, beginning of year	<u>958,442</u>	<u>-</u>	<u>958,442</u>
Net assets, end of year	\$ 878,529	\$ -	\$ 878,529

Bethesda Workshops
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program services	Management and general	Total
Salaries, benefits, and taxes	\$ 140,935	\$ 49,518	\$ 190,453
Advertising and marketing	1,568	-	1,568
Amortization	276	-	276
Conferences	-	4,261	4,261
Depreciation	45,206	6,164	51,370
Occupancy	43,733	5,964	49,697
Office expenses	11,308	-	11,308
Postage and shipping	-	1,535	1,535
Printing	2,742	-	2,742
Professional dues	-	5,081	5,081
Professional fees	605	8,300	8,905
Professional liability insurance	16,440	-	16,440
Repairs and maintenance	15,042	2,051	17,093
Staff development	-	1,912	1,912
Web service	170	-	170
Workshop, credit card processing	24,588	-	24,588
Workshop, food	27,165	-	27,165
Workshop, giveaways	6,759	-	6,759
Workshop, leader fees	161,352	-	161,352
Workshop, lodging	104,751	-	104,751
Workshop, miscellaneous	5,718	-	5,718
Workshop, supplies	5,011	-	5,011
Bank fees	482	-	482
Total expenses	\$ 613,851	\$ 84,786	\$ 698,637

Bethesda Workshops
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program services	Management and general	Total
Salaries, benefits, and taxes	\$ 177,516	\$ 62,371	\$ 239,887
Advertising and marketing	7,920	-	7,920
Amortization	276	-	276
Conferences	-	997	997
Depreciation	45,206	6,164	51,370
Occupancy	63,843	8,706	72,549
Office expenses	10,541	-	10,541
Postage and shipping	-	3,044	3,044
Printing	815	-	815
Professional dues	-	6,473	6,473
Professional fees	418	8,300	8,718
Professional liability insurance	15,661	-	15,661
Purchases of inventory	1,922	-	1,922
Repairs and maintenance	6,715	916	7,631
Staff development	-	1,041	1,041
Web service	235	-	235
Workshop, credit card processing	16,378	-	16,378
Workshop, food	10,452	-	10,452
Workshop, leader fees	136,017	-	136,017
Workshop, lodging	27,527	-	27,527
Workshop, miscellaneous	4,758	-	4,758
Workshop, supplies	3,670	-	3,670
Bank fees	25	-	25
Total expenses	\$ 529,895	\$ 98,012	\$ 627,907

Bethesda Workshops
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 286,571	\$ 280,003
Cash flows from operating activities		
Changes in net assets	286,752	(79,913)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization	276	276
Depreciation	51,370	51,370
Unrealized (gain) loss on investments	(5,250)	-
Reinvested dividends and interest	(131)	-
Forgiveness of PPP loans	(102,628)	-
Change in:		
Accounts receivable	(59,821)	16,480
Prepaid expenses	6,598	(3,216)
Inventory	1,308	399
Accounts payable	(20,091)	170
Accrued payroll	(3,677)	2,586
Deferred revenues	500	700
Net cash provided (used) by operating activities	<u>155,206</u>	<u>(11,148)</u>
Cash flows used from investing activities		
Purchase of investments	(22,500)	-
Cash flows from financing activities		
Draws on PPP loans	51,528	51,100
Payments on long-term debt	<u>(161,101)</u>	<u>(33,384)</u>
Net cash provided (used) by financing activities	(109,573)	17,716
Net change in cash	<u>23,133</u>	<u>6,568</u>
Cash, end of year	\$ 309,704	\$ 286,571
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 31,540	\$ 34,256

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Bethesda Workshops (the Organization) is a not-for-profit organization 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, 2021 and 2020, the Organization hosted 24 and 19 workshops with 262 and 213 participants (individuals and couples), respectively.

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

Financial Statement Presentation

Financial statement presentation is reported in accordance with the Financial Accounting Standards Board 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 the Organization's 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, whereby 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.

Use of Estimates

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

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes cash on hand and demand deposits. The Organization has no cash equivalents.

The Organization's cash deposits exceed the amount insured by the Federal Deposit Insurance Corporation in the amount of approximately \$14,900 and \$34,400 at December 31, 2021 and 2020, respectively. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Investments

Investments are stated at the readily determinable fair market value. All interest, dividends, and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law and then reported as increases or decreases in net assets with donor restrictions.

Fair Value Measurements

Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

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.

Accounts Receivable

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, 2021 and 2020, management believes all accounts are collectible within one year and no allowance has been recorded. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

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 method.

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

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 \$51,370 for the years ended December 31, 2021 and 2020.

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 increases to net assets with donor restrictions. In the absence of such stipulations, contributions of fixed assets are recorded as increases to net assets without donor restrictions.

Accrued Paid Time Off

Employees at the Organization earn paid time off (PTO) each month according to their number of years of service. The Organization does not allow unused PTO to be carried over or paid at termination and, therefore has not recognized a liability at December 31, 2021 and 2020.

PPP Loans

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received two loans in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loans as debt.

Revenue Recognition

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

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 increases to net assets without donor restrictions.

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.

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

Income Taxes

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

Employee Retention Credits

The Organization has recognized \$40,992 and \$26,968 in employee retention credits to be applied against payroll taxes for the years ended December 31, 2021 and 2020, in accordance with the Employee Retention Credits section of the CARES Act. Accordingly, payroll taxes are presented net of these credits. The Organization has a receivable of \$67,960 and \$26,968 as of December 31, 2021 and 2020, respectively.

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 the Organization's program strategy, business management, general recordkeeping, budgeting, and related purposes.

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.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2021 and 2020 were \$1,568 and \$7,920, respectively.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation.

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Availability and Liquidity

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

	2021	2020
Financial assets		
Cash	\$ 309,704	\$ 286,571
Investments	27,881	-
Accounts receivable	<u>102,282</u>	<u>42,461</u>
Total financial assets at year-end	398,875	329,032
Less amounts not available to be used within one year		
Net assets with donor restrictions	19,500	-
Less net assets with time or purpose restriction to be met in less than a year	<u>(19,500)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 398,875	\$ 329,032

The Organization's 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 and mutual funds.

Note 3. Investments

Investments at December 31, 2021 were as follows:

	Cost	Fair Market Value	Cumulative Unrealized Gain (Loss)
Mutual Funds	\$ 22,631	\$ 27,881	\$ 5,250

Investment income for the year ended December 31 consist of the following:

	2021	2020
Unrealized gains (loss)	\$ 5,250	\$ -
Dividends	<u>131</u>	<u>-</u>
	\$ 5,381	\$ -

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 4. Fair Value Measurements

The following assets carried at fair value are reviewed and adjusted on a recurring basis based on quoted market prices.

At December 31, 2021, those values were as follows:

	Fair Value	Level 1
Investments	\$ 27,881	\$ 27,881

Note 5. Long-term Debt

Long-term debt at December 31 consist of the following:

	2021	2020
Note payable with First Horizon Bank, maturing October 2033; monthly payment of \$5,637, including interest of 5.2% per annum; real property is pledged as collateral	\$ 468,630	\$ 629,731
Note payable with a bank (PPP loan), maturing June 2023. Monthly payments of \$2,178, including interest at a rate of 1.0%, beginning July 2021. See note 6	-	51,100
	468,630	680,831
Less: long-term debt, current portion	(37,710)	(48,016)
Less: unamortized loan costs	(3,247)	(3,523)
Long-term, net of current portion	\$ 427,673	\$ 629,292

Future maturities of long-term debt at December 31, 2021 are as follows:

Year ended December 31,	
2022	\$ 37,710
2023	39,719
2024	41,834
2025	44,062
2026	46,409
Thereafter	258,897
Less: loan acquisition costs	(3,247)
Total	\$ 465,383

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 6. PPP Loans

On April 9, 2020, the Organization received a loan in the amount of \$51,100 in accordance with the PPP section of the CARES Act. The Organization was awarded a second draw on its PPP loan in the amount of \$51,528 on January 28, 2021.

The Organization received notification of full forgiveness of their first draw on April 20, 2021 and their second draw on October 5, 2021. The Organization recognized \$102,628 in other income for the year ended December 31, 2021.

Note 7. Net Assets

Net assets with donor restrictions are available for the following purposes as of December 31:

	2021	2020
Scholarships	\$ 19,500	\$ -

Note 8. Retirement Plan

The Organization offers a SIMPLE IRA retirement plan to eligible employees. The Organization matches employee contributions at a rate of 3% of employee deferrals. Employer contributions to the plan for the years ended December 31, 2021 and 2020 were \$5,432 and \$5,909, respectively.

Note 9. Subsequent Events

Management has evaluated subsequent events through March 14, 2022, the date on which the financial statements were available for issuance.