

Bethesda Workshops

Financial Statements
For the Years Ended December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
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, 2020 and 2019, 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, 2020 and 2019, and the results of its operations 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
May 13, 2021

Bethesda Workshops
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash	\$ 286,571	\$ 280,003
Accounts receivable	42,461	58,941
Prepaid expenses	19,506	16,290
Inventory	<u>3,963</u>	<u>4,362</u>
Total current assets	352,501	359,596
 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	<u>(164,920)</u>	<u>(113,550)</u>
Fixed assets, net	1,245,376	1,296,746
 Deposits	<u>200</u>	<u>200</u>
Total assets	\$ 1,598,077	\$ 1,656,542
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 23,175	\$ 23,005
Accrued payroll	7,615	5,029
Deferred revenues	11,450	10,750
Long-term debt, current portion	<u>48,016</u>	<u>33,993</u>
Total current liabilities	90,256	72,777
 Long-term debt, net of current portion	<u>629,292</u>	<u>625,323</u>
Total liabilities	719,548	698,100
 Net assets without donor restrictions	<u>878,529</u>	<u>958,442</u>
Total liabilities and net assets	\$ 1,598,077	\$ 1,656,542

Bethesda Workshops
Statements of Activities
For the Years Ended December 31, 2020 and 2019

	2020	2019
Support and Revenues		
Participant fees, net	\$ 399,735	\$ 867,559
Contributions	135,059	90,020
Consulting income	10,883	6,993
Sales of inventory	1,976	8,419
Rental income	200	-
Interest income	141	327
Total support and revenues	<u>547,994</u>	<u>973,318</u>
Expenses		
Program services	529,895	749,227
Management and general	98,012	112,931
Total expenses	<u>627,907</u>	<u>862,158</u>
Change in net assets	(79,913)	111,160
Net assets without donor restrictions, beginning of year	<u>958,442</u>	<u>847,282</u>
Net assets without donor restrictions, end of year	\$ 878,529	\$ 958,442

Bethesda Workshops
Statements 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
Audit and tax fees	418	8,300	8,718
Conferences	-	997	997
Depreciation	45,206	6,164	51,370
Occupancy	70,558	9,622	80,180
Office expenses	10,541	-	10,541
Postage and shipping	-	3,044	3,044
Printing	815	-	815
Professional dues	-	6,473	6,473
Professional liability insurance	15,661	-	15,661
Purchases of inventory	1,922	-	1,922
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 Functional Expenses
For the Year Ended December 31, 2019

	Program services	Management and general	Total
Salaries, benefits, and taxes	\$ 183,038	\$ 64,310	\$ 247,348
Advertising and marketing	42,541	-	42,541
Amortization	276	-	276
Audit and tax fees	-	8,300	8,300
Board meeting expenses	21	-	21
Conferences	-	7,289	7,289
Depreciation	42,901	5,850	48,751
Occupancy	71,753	9,785	81,538
Office expenses	13,821	-	13,821
Postage and shipping	-	764	764
Printing	2,325	-	2,325
Professional dues	-	4,030	4,030
Professional liability insurance	15,638	-	15,638
Purchases of inventory	6,355	-	6,355
Staff development	-	12,603	12,603
Web service	785	-	785
Workshop, credit card processing	29,593	-	29,593
Workshop, food	31,706	-	31,706
Workshop, giveaways	6,811	-	6,811
Workshop, leader fees	190,919	-	190,919
Workshop, lodging	93,671	-	93,671
Workshop, miscellaneous	11,246	-	11,246
Workshop, supplies	5,702	-	5,702
Bank fees	125	-	125
Total expenses	\$ 749,227	\$ 112,931	\$ 862,158

Bethesda Workshops
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash, beginning of year	\$ 280,003	\$ 225,263
Cash flows from operating activities		
Change in net assets	(79,913)	111,160
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization	276	276
Depreciation	51,370	48,751
Change in:		
Accounts receivable	16,480	(7,081)
Prepaid expenses	(3,216)	(11,514)
Inventory	399	(163)
Deposits	-	8,720
Accounts payable	170	19,935
Accrued payroll	2,586	1,211
Deferred revenues	700	(2,275)
Net cash provided (used) by operating activities	<u>(11,148)</u>	<u>169,020</u>
Cash flows used from investing activities		
Payments for the purchase of fixed assets	-	(82,513)
Cash flows from financing activities		
Borrowings on long-term debt	51,100	-
Payments on long-term debt	<u>(33,384)</u>	<u>(31,767)</u>
Net cash provided (used) by financing activities	17,716	(31,767)
Net change in cash	<u>6,568</u>	<u>54,740</u>
Cash, end of year	\$ 286,571	\$ 280,003
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 34,256	\$ 35,873

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019, Bethesda Workshops hosted 19 and 26 workshops with 213 and 315 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 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, 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, 2020 and 2019

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. Bethesda Workshops has no cash equivalents.

The Organization's cash deposits exceed the amount insured by the Federal Deposit Insurance Corporation in the amount of approximately \$34,400 and \$27,000 at December 31, 2020 and 2019, 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.

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.

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.

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 and \$48,751 for the years ended December 31, 2020 and 2019.

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 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, 2020 and 2019.

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

PPP Loan

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 a loan 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 loan 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.

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, 2020 and 2019, 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.

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.

Income Taxes

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

Employee Retention Credit

The Organization has recognized \$26,968 in employee retention credits to be applied against payroll taxes for the year ended December 31, 2020, in accordance with the Employee Retention Credit of the CARES Act. Accordingly, payroll taxes for the year are presented net of these credits. The Organization has also recorded this amount as a receivable, as the credit was not received by December 31, 2020.

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

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 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, 2020 and 2019 were \$7,920 and \$42,541, respectively.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

Note 2. Availability and Liquidity

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

	2020	2019
Financial assets		
Cash	\$ 286,571	\$ 280,003
Accounts receivable	<u>42,461</u>	<u>58,941</u>
Total financial assets at year-end	329,032	338,944
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 329,032	 \$ 338,944

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
For the Years Ended December 31, 2020 and 2019

Note 3. Long-term Debt

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

	2020	2019
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.	\$ 629,731	\$ 663,116
 Note payable with a bank, maturing June 2023. Monthly payments of \$2,178, including interest at a rate of 1.0%, beginning July 2021. See note 4.	 51,100	 -
	680,831	663,116
Less: long-term debt, current portion	(48,016)	(33,993)
Less: unamortized loan costs	(3,523)	(3,800)
Long-term, net of current portion	\$ 629,292	\$ 625,323

Future maturities of long-term debt at December 31, 2020 are as follows:

Year ended December 31,	
2021	\$ 48,016
2022	63,570
2023	52,746
2024	41,834
2025	44,062
Thereafter	430,603
Less: loan acquisition costs	(3,523)
Total	\$ 677,308

Note 4. PPP Loan

On April 9, 2020, the Company received a loan in the amount of \$51,100 in accordance with the PPP section of the CARES Act. Under this loan program, the Company may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of the report date, management is actively monitoring qualifying conditions to maximize future loan forgiveness and has expended 100% on potential qualifying costs as defined by the legislation.

The Company has elected to treat the PPP loan as debt and presented it in notes payable in the financial statements. The Company has not recorded accrued interest due on the note through fiscal year-end as the amount is immaterial. Total due in 2022.

Bethesda Workshops
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 5. Net Assets

As of December 31, 2020 and 2019, there are no net assets with donor restrictions.

Note 6. Retirement Plan

Bethesda Workshops offers a SIMPLE IRA retirement plan to eligible employees. Bethesda Workshops matches employee contributions at a rate of 3% of employee deferrals. Employer contributions to the plan for the years ended December 31, 2020 and 2019 were \$5,909 and \$3,627, respectively.

Note 7. Operating Leases

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, 2020 and 2019 was \$2,697 and \$2,325, respectively.

Note 8. Subsequent Events

Management has evaluated subsequent events through May 13, 2021, the date on which the financial statements were available for issuance.

The Organization was awarded a second draw on its PPP loan in the amount of \$51,528 on January 28, 2021.