

Bethesda Workshops
Financial Statements
December 31, 2019 and 2018



Independent Auditor's 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, 2019 and 2018, 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, 2019 and 2018, 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 30, 2020

Bethesda Workshops
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash	\$ 280,003	\$ 225,263
Accounts Receivable	58,941	51,860
Prepaid Expenses	16,290	4,776
Inventory	4,362	4,199
Total Current Assets	<u>359,596</u>	<u>286,098</u>
Fixed Assets		
Land	191,761	191,761
Building and Improvements	798,552	767,044
Leasehold Improvements	383,267	345,264
Furniture and Fixtures	36,716	23,716
Accumulated Depreciation	(113,550)	(64,801)
Total Fixed Assets, Net	<u>1,296,746</u>	<u>1,262,984</u>
Other Assets		
Deposits	<u>200</u>	<u>8,920</u>
Total Assets	<u><u>\$ 1,656,542</u></u>	<u><u>\$ 1,558,002</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 23,005	\$ 3,070
Accrued Payroll	5,029	3,818
Deferred Revenue	10,750	13,025
Current Portion of Long-Term Debt	33,993	32,274
Total Current Liabilities	<u>72,777</u>	<u>52,187</u>
Long-Term Debt, Net	<u>625,323</u>	<u>658,533</u>
Total Liabilities	698,100	710,720
Net Assets		
Without Donor Restrictions	<u>958,442</u>	<u>847,282</u>
Total Liabilities and Net Assets	<u><u>\$ 1,656,542</u></u>	<u><u>\$ 1,558,002</u></u>

See notes to financial statements.

Bethesda Workshops
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Participant Fees	\$ 911,325	\$ -	\$ 911,325	\$ 758,800	\$ -	\$ 758,800
(Less Scholarships)	(43,766)	-	(43,766)	(28,474)	-	(28,474)
Consulting Income	6,993	-	6,993	6,056	-	6,056
Sales of Inventory	8,419	-	8,419	7,679	-	7,679
Contributions	90,020	-	90,020	83,578	-	83,578
Rental Income	-	-	-	250	-	250
Interest Income	327	-	327	941	-	941
Total Assets Released from Restrictions	-	-	-	88,750	(88,750)	-
Total Support and Revenues	<u>973,318</u>	<u>-</u>	<u>973,318</u>	<u>917,580</u>	<u>(88,750)</u>	<u>828,830</u>
Functional Expenses						
Program Expenses	749,227	-	749,227	652,768	-	652,768
Supporting Services						
Management and General	<u>112,931</u>	<u>-</u>	<u>112,931</u>	<u>92,828</u>	<u>-</u>	<u>92,828</u>
Total Functional Expenses	<u>862,158</u>	<u>-</u>	<u>862,158</u>	<u>745,596</u>	<u>-</u>	<u>745,596</u>
Increase (Decrease) in Net Assets	111,160	-	111,160	171,984	(88,750)	83,234
Net Assets - Beginning of Year	<u>847,282</u>	<u>-</u>	<u>847,282</u>	<u>675,298</u>	<u>88,750</u>	<u>764,048</u>
Net Assets - End of Year	<u>\$ 958,442</u>	<u>\$ -</u>	<u>\$ 958,442</u>	<u>\$ 847,282</u>	<u>\$ -</u>	<u>\$ 847,282</u>

See notes to financial statements.

Bethesda Workshops
Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Program Expenses	Management and General	Total Expenses	Program Expenses	Management and General	Total Expenses
Advertising and Marketing	\$ 42,541	\$ -	\$ 42,541	\$ 20,085	\$ -	\$ 20,085
Amortization	276	-	276	69	-	69
Audit and Tax Fees	-	8,300	8,300	-	7,900	7,900
Bank Fees	125	-	125	-	-	-
Board Meeting Expenses	21	-	21	151	-	151
Conferences	-	7,289	7,289	-	7,487	7,487
Depreciation	42,901	5,850	48,751	25,554	3,485	29,039
Donations	-	-	-	-	80	80
Occupancy	71,753	9,785	81,538	102,149	13,929	116,078
Office Expenses	13,821	-	13,821	6,138	-	6,138
Postage and Shipping	-	764	764	-	852	852
Printing	2,325	-	2,325	6,212	-	6,212
Professional Dues	-	4,030	4,030	-	5,162	5,162
Professional Liability Insurance	15,638	-	15,638	19,048	-	19,048
Purchases of Inventory	6,355	-	6,355	6,473	-	6,473
Salaries, Benefits and Taxes	183,038	64,310	247,348	147,011	51,652	198,663
Staff Development	-	12,603	12,603	-	2,281	2,281
Web Service	785	-	785	25,004	-	25,004
Workshop - Credit Card Processing	29,593	-	29,593	29,062	-	29,062
Workshop - Food	31,706	-	31,706	24,296	-	24,296
Workshop - Giveaways	6,811	-	6,811	1,181	-	1,181
Workshop - Leader Fees	190,919	-	190,919	157,343	-	157,343
Workshop - Lodging	93,671	-	93,671	70,741	-	70,741
Workshop - Misc	11,246	-	11,246	6,195	-	6,195
Workshop - Supplies	5,702	-	5,702	6,056	-	6,056
	<u>\$ 749,227</u>	<u>\$ 112,931</u>	<u>\$ 862,158</u>	<u>\$ 652,768</u>	<u>\$ 92,828</u>	<u>\$ 745,596</u>

See notes to financial statements.

Bethesda Workshops
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 111,160	\$ 83,234
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	48,751	29,039
Amortization	276	69
(Increase) Decrease in:		
Accounts Receivable	(7,081)	(9,573)
Contributions Receivable	-	88,750
Prepaid Expenses	(11,514)	(2,276)
Inventory	(163)	1,554
Deposits	8,720	93,197
Increase (Decrease) in:		
Accounts Payable	19,935	1,923
Accrued Payroll	1,211	724
Deferred Revenue	(2,275)	11,025
Total Adjustments	<u>57,860</u>	<u>214,432</u>
Net Cash Provided by Operating Activities	<u>169,020</u>	<u>297,666</u>
Cash Flows from Investing Activities		
Payments for the Purchase of Fixed Assets	<u>(82,513)</u>	<u>(958,805)</u>
Net Cash Used by Investing Activities	<u>(82,513)</u>	<u>(958,805)</u>
Cash Flows from Financing Activities		
Borrowings on Long-Term Debt	-	700,000
Payments on Long-Term Debt	(31,767)	(5,117)
Payment for Loan Costs	<u>-</u>	<u>(4,144)</u>
Net Cash (Used) Provided by Financing Activities	<u>(31,767)</u>	<u>690,739</u>
Net Increase in Cash	54,740	29,600
Cash - Beginning of Year	<u>225,263</u>	<u>195,663</u>
Cash - End of Year	<u><u>\$ 280,003</u></u>	<u><u>\$ 225,263</u></u>
Supplemental Disclosures of Cash Flows Information		
Cash Paid During the Year for:		
Interest	<u><u>\$ 35,873</u></u>	<u><u>\$ 6,157</u></u>
Noncash Activities:		
Fixed Assets Acquired through Issuance of Debt	<u><u>\$ -</u></u>	<u><u>\$ 700,000</u></u>

See notes to financial statements.

Bethesda Workshops
Notes to Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018, Bethesda Workshops hosted 26 and 21 workshops with 315 and 267 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 (U.S. 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 (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.

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.

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 (FDIC) in the amount of approximately \$27,000 and \$0 at December 31, 2019 and 2018. 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.

Bethesda Workshops
Notes to Financial Statements
December 31, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies

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 (FIFO) 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 \$48,751 and \$29,039 for the years ended December 31, 2019 and 2018.

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, 2019 and 2018.

Bethesda Workshops
Notes to Financial Statements
December 31, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. ASU 2014-09 became effective for the Organization's fiscal year beginning January 1, 2019. Subsequent to the issuance of ASU 2014-09, the FASB has issued several ASUs such as ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, and ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*, among others. These ASUs do not change the core principle of the guidance stated in ASU 2014-09, instead these amendments are intended to clarify and improve operability of certain topics included within the revenue standard. These ASUs had the same effective date and transition requirements as ASU 2014-09. The Organization adopted the standard on January 1, 2019 utilizing the modified retrospective method. Results for reporting periods beginning January 1, 2019 are presented under Topic 606, while prior-period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. Adoption of the new standard had no impact on the Organization's beginning balances or to cash from or used in operating, financing, or investing on the statement of cash flows.

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 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, 2019 and 2018, 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.

Bethesda Workshops
Notes to Financial Statements
December 31, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies

Revenue Recognition

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.

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.

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, 2019 and 2018 were \$42,541 and \$20,085, respectively.

Bethesda Workshops
Notes to Financial Statements
December 31, 2019 and 2018

Note 2 – Availability and Liquidity

The following represents Bethesda Workshops' financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets:		
Cash	\$ 280,003	\$ 225,263
Accounts receivable	58,941	51,860
Total financial assets at year end	<u>338,944</u>	<u>277,123</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 338,944</u>	<u>\$ 277,123</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.

Note 3 – Long-Term Debt

Long-term debt at December 31, 2019 and 2018 consists of the following:

	2019	2018
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.	\$ 663,116	\$ 694,883
Less: Current Portion	(33,993)	(32,274)
Less: Unamortized Loan Costs	(3,800)	(4,076)
Total Long-Term Debt, Net	<u>\$ 625,323</u>	<u>\$ 658,533</u>

Future maturities of long-term debt at December 31, 2019 are as follows:

Year Ending December 31,	Amount
2020	\$ 33,993
2021	35,804
2022	37,710
2023	39,719
2024	41,834
Thereafter	474,056
Less: Loan Acquisition Costs	(3,800)
Total	<u>\$ 659,316</u>

Note 4 – Net Assets

As of December 31, 2019 and 2018, there are no net assets with donor restrictions.

Bethesda Workshops
Notes to Financial Statements
December 31, 2019 and 2018

Note 5 – 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, 2019 and 2018 were \$3,627 and \$3,368.

Note 6 – Operating Lease

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, 2019 and 2018 was \$2,325 and \$65,182.

Note 7 – Recently Issued Accounting Pronouncements

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 8 – Subsequent Events

Bethesda Workshops has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2019 through June 30, 2020 the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is still unknown the extent to which the Organization will be adversely impacted. To comply with the Centers for Disease Control and Prevention and Worldwide Health Organization’s guidelines, the Organization had to cancel several scheduled workshops. The Organization developed a format for an online psychoeducational workshop which satisfies clinical, ethical, and legal requirements. This format will be used until in-person workshops can be resumed.

On March 27, 2020, the Coronavirus Air, Relief, and Economic Security Act (the CARES Act) was signed into law. One of the features of the CARES Act is the Payroll Protection Program (PPP). On April 21, 2020, the Organization received the loan in the amount of \$51,000. This loan will be forgiven if the Company meets certain criteria which is in the process of being finalized by the Small Business Administration (SBA).

The amount of the loan not forgiven will be converted to a two-year loan at 1% interest.