

HARMONY HILL OF UNION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012



HARMONY HILL OF UNION

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MARY
JANE
DUBBS

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

March 20, 2014

To the Board of Directors
Harmony Hill of Union
Union, Washington

I have audited the accompanying financial statements of Harmony Hill of Union (a nonprofit organization) which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harmony Hill of Union as of December 31, 2013 and 2012, 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.

Mary Jane Dubbs
Certified Public Accountant
University Place, WA

HARMONY HILL OF UNION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS	2013	2012
Current assets		
Cash and cash equivalent	33,026	81,165
Accounts receivable	-	6,560
Current unconditional promises to give (net of allowance for uncollectible accounts of \$27,156 and \$42,408)	42,735	77,339
Employee advance	-	2,815
Prepaid expenses	-	7,792
Total current assets	75,761	175,671
Property and equipment		
Leasehold improvements	4,527,281	4,527,281
Equipment	41,470	41,470
Vehicle	13,030	13,030
Total	4,581,781	4,581,781
Less accumulated depreciation	(1,239,771)	(1,095,015)
Total property and equipment	3,342,010	3,486,766
Long term unconditional promises to give	163,955	165,850
TOTAL ASSETS	3,581,726	3,828,287
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	720	-
Line of credit	150,000	119,500
Accrued payroll	20,036	22,648
Accrued interest payable	10,715	18,621
Deferred revenue	50,008	35,988
Current portion of long-term debt	76,021	73,934
Total current liabilities	307,500	270,691
Notes payable, net of current portion	483,475	794,260
TOTAL LIABILITIES	790,975	1,064,951
Net assets		
Unrestricted	2,584,061	2,520,147
Temporarily restricted	206,690	243,189
TOTAL NET ASSETS	2,790,751	2,763,336
TOTAL LIABILITIES AND NET ASSETS	3,581,726	3,828,287

HARMONY HILL OF UNION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUES						
Support:						
Donations	754,835	-	754,835	807,896	-	807,896
Revenue:						
Program fees	373,966	-	373,966	345,858	-	345,858
Other revenues	10,975	-	10,975	13,210	-	13,210
Total support and revenue	1,139,776	-	1,139,776	1,166,964	-	1,166,964
Special events:						
Contributions from special events	73,396	-	73,396	-	-	-
Gross special event revenue	18,485	-	18,485	-	-	-
Less: costs of direct benefits to donors	(19,970)	-	(19,970)	-	-	-
Total special events	71,911	-	71,911	-	-	-
Net assets released from restriction	36,499	(36,499)	-	98,238	(98,238)	-
TOTAL SUPPORT AND OTHER REVENUE	1,248,186	(36,499)	1,211,687	1,265,202	(98,238)	1,166,964
EXPENSES						
Program services						
Retreat center	998,165	-	998,165	986,543	-	986,543
Supporting services						
Administrative	90,001	-	90,001	151,572	-	151,572
Fundraising	96,106	-	96,106	85,597	-	85,597
TOTAL EXPENSES	1,184,272	-	1,184,272	1,223,712	-	1,223,712
CHANGES IN NET ASSETS	63,914	(36,499)	27,415	41,490	(98,238)	(56,748)
NET ASSETS, BEGINNING OF YEAR	2,520,147	243,189	2,763,336	2,478,657	341,427	2,820,084
NET ASSETS, END OF YEAR	2,584,061	206,690	2,790,751	2,520,147	243,189	2,763,336

HARMONY HILL OF UNION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Retreat Center	Administrative	Fundraising	Total	Retreat Center	Administrative	Fundraising	Total
Salaries	481,667	15,134	64,112	560,913	455,316	64,170	57,822	577,308
Payroll taxes	52,637	1,654	7,006	61,297	52,080	7,340	6,614	66,034
Employee benefits	58,450	1,836	7,781	68,067	51,494	7,257	6,539	65,290
Professional services	29,131	8,000	-	37,131	40,527	11,225	-	51,752
Supplies	90,517	11,314	11,315	113,146	61,008	7,754	7,754	76,516
Printing & publications	2,683	596	2,683	5,962	3,779	840	3,779	8,398
Postage	1,056	235	1,056	2,347	1,441	320	1,441	3,202
Rent	12,528	3,132	-	15,660	12,528	3,132	-	15,660
Utilities	34,554	8,638	-	43,192	37,106	9,277	-	46,383
Facilities	9,307	2,327	-	11,634	15,223	3,806	-	19,029
Telephone	8,361	1,045	1,045	10,451	8,446	1,056	1,056	10,558
Insurance	36,687	4,076	-	40,763	27,320	3,036	-	30,356
Travel	-	7,679	-	7,679	-	9,110	-	9,110
Conference & meetings	-	6,114	-	6,114	28,609	3,756	-	32,365
Bank service charges	-	8,085	-	8,085	-	5,666	-	5,666
Miscellaneous	-	1,610	-	1,610	-	3,255	-	3,255
Promotion	6,684	-	1,108	7,792	6,010	-	592	6,602
Interest expense	29,520	8,153	-	37,673	39,242	10,199	-	49,441
Depreciation	144,383	373	-	144,756	146,414	373	-	146,787
TOTAL EXPENSES	998,165	90,001	96,106	1,184,272	986,543	151,572	85,597	1,223,712

HARMONY HILL OF UNION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Retreat Center	Administrative	Fundraising	Total	Retreat Center	Administrative	Fundraising	Total
Salaries	481,667	15,134	64,112	560,913	455,316	64,170	57,822	577,308
Payroll taxes	52,637	1,654	7,006	61,297	52,080	7,340	6,614	66,034
Employee benefits	58,450	1,836	7,781	68,067	51,494	7,257	6,539	65,290
Professional services	29,131	8,000	-	37,131	40,527	11,225	-	51,752
Supplies	90,517	11,314	11,315	113,146	61,008	7,754	7,754	76,516
Printing & publications	2,683	596	2,683	5,962	3,779	840	3,779	8,398
Postage	1,056	235	1,056	2,347	1,441	320	1,441	3,202
Rent	12,528	3,132	-	15,660	12,528	3,132	-	15,660
Utilities	34,554	8,638	-	43,192	37,106	9,277	-	46,383
Facilities	9,307	2,327	-	11,634	15,223	3,806	-	19,029
Telephone	8,361	1,045	1,045	10,451	8,446	1,056	1,056	10,558
Insurance	36,687	4,076	-	40,763	27,320	3,036	-	30,356
Travel	-	7,679	-	7,679	-	9,110	-	9,110
Conference & meetings	-	6,114	-	6,114	28,609	3,756	-	32,365
Bank service charges	-	8,085	-	8,085	-	5,666	-	5,666
Miscellaneous	-	1,610	-	1,610	-	3,255	-	3,255
Promotion	6,684	-	1,108	7,792	6,010	-	592	6,602
Interest expense	29,520	8,153	-	37,673	39,242	10,199	-	49,441
Depreciation	144,383	373	-	144,756	146,414	373	-	146,787
TOTAL EXPENSES	998,165	90,001	96,106	1,184,272	986,543	151,572	85,597	1,223,712

HARMONY HILL OF UNION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and public support	642,190	671,690
Cash received from program fees and other revenues	373,968	345,861
Cash paid to vendors and employees	(1,034,376)	(1,026,433)
Cash paid for interest expense	<u>(45,579)</u>	<u>(49,441)</u>
Net cash used by operating activities	(63,797)	(58,323)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(58,698)	(36,618)
Net proceeds (payments) from short-term borrowing	30,500	119,500
Collection of unconditional promise to give	<u>43,856</u>	<u>38,145</u>
Net cash provided by financing activities	<u>15,658</u>	<u>121,027</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(48,139)	62,704
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>81,165</u>	<u>18,461</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>33,026</u></u>	<u><u>81,165</u></u>
RECONCILIATION OF NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Decrease in net assets	27,415	(56,748)
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Cancellation of debt contribution	(250,000)	(250,000)
Non-cash use of facility	15,660	15,660
Amortization of discount-unconditional promise to give	(13,765)	(19,814)
Depreciation	144,756	146,787
Collection of unconditional promises to give	(43,856)	(38,145)
(Increase) decrease in:		
Accounts receivable	6,560	28,632
Unconditional promises to give	34,604	102,392
Employee advance	2,815	(2,815)
Prepaid expenses	7,792	(670)
Increase (decrease) in:		
Accounts payable	720	(3,181)
Accrued payroll	(2,612)	(1,833)
Accrued interest payable	(7,906)	-
Deferred revenue	<u>14,020</u>	<u>21,412</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>(63,797)</u></u>	<u><u>(58,323)</u></u>
Reduction in debts	(308,698)	(286,618)
Cancellation of debt contribution	<u>250,000</u>	<u>250,000</u>
Cash payment on long-term debt	<u><u>(58,698)</u></u>	<u><u>(36,618)</u></u>

HARMONY HILL OF UNION NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History of Organization

Harmony Hill of Union was incorporated July 13, 1987 in the State of Washington.

Nature of Activities

Harmony Hill of Union operates a cancer retreat center in Union, Washington. Harmony Hill of Union conducts retreat programs and rents the facilities to other organizations.

Basis of Accounting

The financial statements of Harmony Hill of Union have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair Value Disclosures

The fair value of financial instruments including cash and cash equivalents, receivable and accounts payable approximates the carrying values, principally because of the short maturity of those items. The fair value of notes approximates the carrying value, principally because of the maturity dates of the notes and the current terms applicable to each item.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Useful lives range from five years to fifty years, depending on the asset.

Deferred Revenue

Revenue from prepaid retreats is deferred and recognized over the periods to which the fees relate.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

HARMONY HILL OF UNION NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers providing services throughout the years were not recognized as contributions in the financial statement since the recognition criteria were not met.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Federal Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization had no unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

HARMONY HILL OF UNION NOTES TO FINANCIAL STATEMENTS

NOTE B – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

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

Programs

Harmony Hill of Union offers support and resources to improve the quality of life for those affected by cancer. The Wellness series is designed to help people attain sustainable living and improve personal health. The Health Professional series provides nursing professionals with a venue for retreat and reflection. The Cancer program is provided to help those facing cancer, and their loved ones, cope with the physical, emotional, and spiritual challenges of cancer. The Caregiver program is designed for those who are dealing with the challenges of cancer as a caregiver.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

NOTE C – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions located in Washington. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013 and 2012 the Organization had no uninsured cash balances.

NOTE D – CONCENTRATION OF SUPPORT

The Organization received 39% and 71% of donations from a major contributor for the years ended December 31, 2013 and 2012, respectively. A substantial reduction in the level of this support, if it were to occur, would have a significant effect on the Organization.

NOTE E – LINE OF CREDIT

The Organization has a bank revolving line of credit agreement to borrow up to \$150,000, maturing in July 2014. Interest rate at December 31, 2013 and 2012 was 9.25% and 10.25%, respectively.

HARMONY HILL OF UNION

NOTES TO FINANCIAL STATEMENTS

NOTE F – LONG TERM NOTE PAYABLE

Long- term debt at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
3.45% notes payable to a major contributor, interest payable annually, and entire principal due on January 31, 2015.	88,812	338,812
3.50% notes payable to a major contributor, principal and interest of \$7,606.96 from January through June 2012, interest and principal of \$1,650.83 from July 2012 through December 2012, and \$7,606.96 thereafter.	<u>470,684</u>	<u>529,382</u>
Total Debt	559,496	868,194
Current maturities	<u>(76,021)</u>	<u>(73,934)</u>
Noncurrent maturities	<u>483,475</u>	<u>794,260</u>

Maturity of debt for the next five years is as follows:

2014	76,021
2015	167,537
2016	81,525
2017	84,424
2018	<u>149,989</u>
Total	<u>559,496</u>

NOTE G – UNCONDITIONAL PROMISES TO GIVE

During 2000, the Organization entered a 30-year lease agreement for the free use of 13 acre facility, ending June 30, 2030, with two consecutive five-year extension options. The fair market value of the facility at the time of contribution was \$626,400. This contribution was recorded in the year it was pledged as a temporarily restricted donation. The amount realized in the year is recorded as an unconditional promise to give. The promise to give in more than one year has been discounted at 8%.

The Organization has unconditional promises to give in future years. The promises to give are reported at estimated net realizable value.

HARMONY HILL OF UNION

NOTES TO FINANCIAL STATEMENTS

NOTE G – UNCONDITIONAL PROMISES TO GIVE – (continued)

Unconditional promises to give at December 31, 2013 and 2012 consist of the following:

<u>As of December 31, 2013</u>	<u>Cash</u>	<u>Facility</u>	<u>Total</u>
Receivable in less than one year	54,231	15,660	69,891
Receivable in one to five years	-	62,640	62,640
Receivable in more than five years	-	336,690	336,690
Total unconditional promises to give	54,231	414,990	469,221
Less : Discount to net present value	-	(235,375)	(235,375)
Less: Allowance for Uncollectible	(27,156)	-	(27,156)
Net unconditional promises to give	<u>27,075</u>	<u>179,615</u>	<u>206,690</u>
<u>As of December 31, 2012</u>	<u>Cash</u>	<u>Facility</u>	<u>Total</u>
Receivable in less than one year	104,087	15,660	119,747
Receivable in one to five years	-	62,640	62,640
Receivable in more than five years	-	352,350	352,350
Total unconditional promises to give	104,087	430,650	534,737
Less : Discount to net present value	-	(249,140)	(249,140)
Less: Allowance for Uncollectible	(42,408)	-	(42,408)
Net unconditional promises to give	<u>61,679</u>	<u>181,510</u>	<u>243,189</u>

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
For subsequent year's free use of facility	179,615	181,510
For subsequent year's activity	27,075	61,679
Total	<u>206,690</u>	<u>243,189</u>

NOTE I – RETIREMENT PLAN

The Organization maintains a retirement plan under Section 408(p) of the Internal Revenue Code. Under the SIMPLE plan the company matches the employees' contribution up to 3% of their wages. The employer contribution for the years ended December 31, 2013 and 2012 was \$8,561 and \$8,161, respectively.

**HARMONY HILL OF UNION
NOTES TO FINANCIAL STATEMENTS**

NOTE J – HARMONY HILL ENDOWMENT FUND

The Organization is a beneficiary of an endowment fund at Greater Tacoma Community Foundation. The earnings on this fund are distributed to the Organization annually, which are recorded as contributions revenue when received. The market value of the fund as of December 31, 2013 and 2012 was \$11,437 and \$10,495, respectively.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2014, the date that the financial statements were available for issue, and determined that the following subsequent events would require disclosure in the financial statements.