

**HARMONY HILL OF UNION**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2015 and 2014**



# HARMONY HILL OF UNION

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10

**INDEPENDENT AUDITOR'S REPORT**

March 16, 2016

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014**

ASSETS	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalent	81,025	52,425
Accounts receivable	34,000	1,497
Current unconditional promises to give	15,660	30,660
Total current assets	<u>130,685</u>	<u>84,582</u>
Property and equipment		
Leasehold improvements	4,527,281	4,527,281
Equipment	41,470	41,470
Vehicle	13,030	13,030
Total	<u>4,581,781</u>	<u>4,581,781</u>
Less accumulated depreciation	(1,527,149)	(1,383,556)
Total property and equipment	<u>3,054,632</u>	<u>3,198,225</u>
Long term unconditional promises to give	<u>159,682</u>	<u>161,905</u>
<b>TOTAL ASSETS</b>	<b><u>3,344,999</u></b>	<b><u>3,444,712</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Accounts payable	23,692	21,497
Line of credit	150,000	150,000
Accrued payroll	48,662	37,526
Deferred revenue	49,940	32,979
Current portion of long-term debt	-	26,225
Total current liabilities	<u>272,294</u>	<u>268,227</u>
Notes payable, net of current portion	<u>-</u>	<u>191,125</u>
<b>TOTAL LIABILITIES</b>	<b>272,294</b>	<b>459,352</b>
Net assets		
Unrestricted	2,885,363	2,790,795
Temporarily restricted	187,342	194,565
<b>TOTAL NET ASSETS</b>	<b><u>3,072,705</u></b>	<b><u>2,985,360</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>3,344,999</u></b>	<b><u>3,444,712</u></b>

**HARMONY HILL OF UNION**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2015 and 2014**

	<b>2015</b>			<b>2014</b>		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND OTHER REVENUES</b>						
Support:						
Donations	916,518	-	916,518	1,010,746	2,000	1,012,746
Revenue:						
Program fees	404,032	-	404,032	360,265	-	360,265
Other revenues	12,043	-	12,043	7,155	-	7,155
Total support and revenue	<u>1,332,593</u>	<u>-</u>	<u>1,332,593</u>	<u>1,378,166</u>	<u>2,000</u>	<u>1,380,166</u>
Special events:						
Contributions from special events	121,559	-	121,559	90,113	-	90,113
Gross special event revenue	25,580	-	25,580	17,200	-	17,200
Less: costs of direct benefits to donors	<u>(36,053)</u>	<u>-</u>	<u>(36,053)</u>	<u>(28,399)</u>	<u>-</u>	<u>(28,399)</u>
Total special events	111,086	-	111,086	78,914	-	78,914
Net assets released from restriction	<u>7,223</u>	<u>(7,223)</u>	<u>-</u>	<u>14,125</u>	<u>(14,125)</u>	<u>-</u>
<b>TOTAL SUPPORT AND OTHER REVENUES</b>	<b>1,450,902</b>	<b>(7,223)</b>	<b>1,443,679</b>	<b>1,471,205</b>	<b>(12,125)</b>	<b>1,459,080</b>
<b>EXPENSES</b>						
Program services						
Retreat center	1,119,189	-	1,119,189	995,671	-	995,671
Supporting services						
Administrative	150,870	-	150,870	131,662	-	131,662
Fundraising	<u>86,275</u>	<u>-</u>	<u>86,275</u>	<u>137,138</u>	<u>-</u>	<u>137,138</u>
<b>TOTAL EXPENSES</b>	<b><u>1,356,334</u></b>	<b><u>-</u></b>	<b><u>1,356,334</u></b>	<b><u>1,264,471</u></b>	<b><u>-</u></b>	<b><u>1,264,471</u></b>
<b>CHANGES IN NET ASSETS</b>	<b>94,568</b>	<b>(7,223)</b>	<b>87,345</b>	<b>206,734</b>	<b>(12,125)</b>	<b>194,609</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>2,790,795</u></b>	<b><u>194,565</u></b>	<b><u>2,985,360</u></b>	<b><u>2,584,061</u></b>	<b><u>206,690</u></b>	<b><u>2,790,751</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u><u>2,885,363</u></u></b>	<b><u><u>187,342</u></u></b>	<b><u><u>3,072,705</u></u></b>	<b><u><u>2,790,795</u></u></b>	<b><u><u>194,565</u></u></b>	<b><u><u>2,985,360</u></u></b>

**HARMONY HILL OF UNION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2015 and 2014**

	<b>2015</b>				<b>2014</b>			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Retreat Center	Administrative	Fundraising	Total	Retreat Center	Administrative	Fundraising	Total
Salaries	566,030	50,872	53,352	670,254	471,748	42,800	93,491	608,039
Payroll taxes	73,042	6,565	6,884	86,491	54,689	4,962	10,838	70,489
Employee benefits	61,524	5,530	5,799	72,853	53,018	4,810	10,507	68,335
Professional services	58,599	10,000	361	68,960	40,454	8,550	5,825	54,829
Supplies	98,154	12,269	12,269	122,692	84,707	10,588	10,588	105,883
Printing & publications	4,761	1,058	4,761	10,580	955	212	955	2,122
Postage	1,157	257	1,157	2,571	1,376	306	1,376	3,058
Rent	12,528	3,132	-	15,660	12,528	3,132	-	15,660
Utilities	26,439	6,610	-	33,049	41,904	10,476	-	52,380
Facilities	6,228	1,557	-	7,785	8,923	2,231	-	11,154
Telephone	8,522	1,065	1,065	10,652	9,283	1,160	1,160	11,603
Insurance	29,915	3,324	-	33,239	27,754	3,084	-	30,838
Travel	-	13,892	-	13,892	-	8,100	-	8,100
Conference & meetings	-	7,994	-	7,994	-	10,950	-	10,950
Bank service charges	-	17,269	-	17,269	-	11,330	-	11,330
Miscellaneous	-	4,396	-	4,396	-	2,078	-	2,078
Promotion	21,714	-	627	22,341	29,714	-	2,398	32,112
Interest expense	7,356	4,707	-	12,063	15,206	6,520	-	21,726
Depreciation	143,220	373	-	143,593	143,412	373	-	143,785
<b>TOTAL EXPENSES</b>	<b>1,119,189</b>	<b>150,870</b>	<b>86,275</b>	<b>1,356,334</b>	<b>995,671</b>	<b>131,662</b>	<b>137,138</b>	<b>1,264,471</b>

**HARMONY HILL OF UNION**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions and public support	860,610	813,382
Cash received from program fees and other revenues	404,037	360,268
Cash paid to vendors and employees	(1,215,282)	(1,085,475)
Cash paid for interest expense	<u>(12,062)</u>	<u>(34,074)</u>
Net cash provided by operating activities	37,303	54,101
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(8,703)	(45,702)
Collection of unconditional promise to give	<u>-</u>	<u>11,000</u>
Net cash used by financing activities	<u>(8,703)</u>	<u>(34,702)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	28,600	19,399
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>52,425</u>	<u>33,026</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>81,025</u></u>	<u><u>52,425</u></u>
<b>RECONCILIATION OF NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase in net assets	87,345	194,609
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Cancellation of debt contribution	(208,647)	(296,444)
Non-cash use of facility	15,660	15,660
Amortization of discount-unconditional promise to give	(13,437)	(13,610)
Depreciation	143,593	143,785
Collection of unconditional promises to give	-	(11,000)
(Increase) decrease in:		
Accounts receivable	(32,503)	(1,497)
Unconditional promises to give	15,000	12,075
Increase (decrease) in:		
Accounts payable	2,195	20,777
Accrued payroll	11,136	17,490
Accrued interest payable	-	(10,715)
Deferred revenue	<u>16,961</u>	<u>(17,029)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>37,303</u></u>	<u><u>54,101</u></u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Reduction in debts	(217,350)	(342,146)
Cancellation of debt contribution	<u>208,647</u>	<u>296,444</u>
Payment on long-term debt	<u><u>(8,703)</u></u>	<u><u>(45,702)</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 had no liability for uncertain tax positions that are material to the financial statements.

The Organization's federal information returns are subject to possible examination by the taxing authorities until the expiration of related statutes of limitations on those tax returns, which is generally three years.

**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, 2015 and 2014 the Organization had no uninsured cash balances.

**NOTE D – CONCENTRATION OF SUPPORT**

The Organization received 41% and 49% of donations from a major contributor for the years ended December 31, 2015 and 2014, 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 2016. Interest rates at December 31, 2015 and 2014 were 5.0% and 4.5%, respectively.

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

**NOTE F – UNCONDITIONAL PROMISES TO GIVE**

The Organization has a 30-year lease agreement for the free use of 13 acre facility, expiring on 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.

Unconditional promises to give at December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	15,660	30,660
Receivable in one to five years	62,640	62,640
Receivable in more than five years	<u>305,370</u>	<u>321,030</u>
Total unconditional promises to give	383,670	414,330
Less: Discount to net present value	<u>(208,328)</u>	<u>(221,765)</u>
Net unconditional promises to give	<u>175,342</u>	<u>192,565</u>

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
For subsequent year's free use of facility	175,342	177,565
For subsequent year's activity	10,000	15,000
For sign language interpreter	<u>2,000</u>	<u>2,000</u>
Total	<u>187,342</u>	<u>194,565</u>

**NOTE H – 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, 2015 and 2014 was \$13,547 and \$10,385, respectively.

**NOTE I - 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, 2015 and 2014 was \$10,065 and \$11,176, respectively.

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

**NOTE J – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 16, 2016, the date that the financial statements were available for issue, and determined that the following subsequent events would require disclosure in the financial statements.