

HARMONY HILL OF UNION

FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013



HARMONY HILL OF UNION

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INDEPENDENT AUDITOR'S REPORT

March 13, 2015

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalent	52,425	33,026
Accounts receivable	1,497	-
Current unconditional promises to give (net of allowance for uncollectible accounts of \$0 and \$27,156)	30,660	42,735
Total current assets	<u>84,582</u>	<u>75,761</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	<u>(1,383,556)</u>	<u>(1,239,771)</u>
Total property and equipment	3,198,225	3,342,010
Long term unconditional promises to give	<u>161,905</u>	<u>163,955</u>
TOTAL ASSETS	<u><u>3,444,712</u></u>	<u><u>3,581,726</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	21,497	720
Line of credit	150,000	150,000
Accrued payroll	37,526	20,036
Accrued interest payable	-	10,715
Deferred revenue	32,979	50,008
Current portion of long-term debt	26,225	76,021
Total current liabilities	<u>268,227</u>	<u>307,500</u>
Notes payable, net of current portion	<u>191,125</u>	<u>483,475</u>
TOTAL LIABILITIES	459,352	790,975
Net assets		
Unrestricted	2,790,795	2,584,061
Temporarily restricted	194,565	206,690
TOTAL NET ASSETS	<u><u>2,985,360</u></u>	<u><u>2,790,751</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3,444,712</u></u>	<u><u>3,581,726</u></u>

HARMONY HILL OF UNION
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUES						
Support:						
Donations	1,010,746	2,000	1,012,746	754,835	-	754,835
Revenue:						
Program fees	360,265	-	360,265	373,966	-	373,966
Other revenues	7,155	-	7,155	10,975	-	10,975
Total support and revenue	1,378,166	2,000	1,380,166	1,139,776	-	1,139,776
Special events:						
Contributions from special events	90,113	-	90,113	73,396	-	73,396
Gross special event revenue	17,200	-	17,200	18,485	-	18,485
Less: costs of direct benefits to donors	(28,399)	-	(28,399)	(19,970)	-	(19,970)
Total special events	78,914	-	78,914	71,911	-	71,911
Net assets released from restriction	14,125	(14,125)	-	36,499	(36,499)	-
TOTAL SUPPORT AND OTHER REVENUE	1,471,205	(12,125)	1,459,080	1,248,186	(36,499)	1,211,687
EXPENSES						
Program services						
Retreat center	995,671	-	995,671	998,165	-	998,165
Supporting services						
Administrative	131,662	-	131,662	90,001	-	90,001
Fundraising	137,138	-	137,138	96,106	-	96,106
TOTAL EXPENSES	1,264,471	-	1,264,471	1,184,272	-	1,184,272
CHANGES IN NET ASSETS	206,734	(12,125)	194,609	63,914	(36,499)	27,415
NET ASSETS, BEGINNING OF YEAR	2,584,061	206,690	2,790,751	2,520,147	243,189	2,763,336
NET ASSETS, END OF YEAR	2,790,795	194,565	2,985,360	2,584,061	206,690	2,790,751

HARMONY HILL OF UNION
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2014 and 2013

	2014				2013			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Retreat Center	Administrative	Fundraising	Total	Retreat Center	Administrative	Fundraising	Total
Salaries	471,748	42,800	93,491	608,039	481,667	15,134	64,112	560,913
Payroll taxes	54,689	4,962	10,838	70,489	52,637	1,654	7,006	61,297
Employee benefits	53,018	4,810	10,507	68,335	58,450	1,836	7,781	68,067
Professional services	40,454	8,550	5,825	54,829	29,131	8,000	-	37,131
Supplies	84,707	10,588	10,588	105,883	90,517	11,314	11,315	113,146
Printing & publications	955	212	955	2,122	2,683	596	2,683	5,962
Postage	1,376	306	1,376	3,058	1,056	235	1,056	2,347
Rent	12,528	3,132	-	15,660	12,528	3,132	-	15,660
Utilities	41,904	10,476	-	52,380	34,554	8,638	-	43,192
Facilities	8,923	2,231	-	11,154	9,307	2,327	-	11,634
Telephone	9,283	1,160	1,160	11,603	8,361	1,045	1,045	10,451
Insurance	27,754	3,084	-	30,838	36,687	4,076	-	40,763
Travel	-	8,100	-	8,100	-	7,679	-	7,679
Conference & meetings	-	10,950	-	10,950	-	6,114	-	6,114
Bank service charges	-	11,330	-	11,330	-	8,085	-	8,085
Miscellaneous	-	2,078	-	2,078	-	1,610	-	1,610
Promotion	29,714	-	2,398	32,112	6,684	-	1,108	7,792
Interest expense	15,206	6,520	-	21,726	29,520	8,153	-	37,673
Depreciation	143,412	373	-	143,785	144,383	373	-	144,756
TOTAL EXPENSES	995,671	131,662	137,138	1,264,471	998,165	90,001	96,106	1,184,272

HARMONY HILL OF UNION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and public support	813,382	642,190
Cash received from program fees and other revenues	360,268	373,968
Cash paid to vendors and employees	(1,085,475)	(1,034,376)
Cash paid for interest expense	(34,074)	(45,579)
	<u>54,101</u>	<u>(63,797)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(45,702)	(58,698)
Net proceeds (payments) from short-term borrowing	-	30,500
Collection of unconditional promise to give	11,000	43,856
	<u>(34,702)</u>	<u>15,658</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,399	(48,139)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>33,026</u>	<u>81,165</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>52,425</u>	<u>33,026</u>
RECONCILIATION OF NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	194,609	27,415
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Cancellation of debt contribution	(296,444)	(250,000)
Non-cash use of facility	15,660	15,660
Amortization of discount-unconditional promise to give	(13,610)	(13,765)
Depreciation	143,785	144,756
Collection of unconditional promises to give	(11,000)	(43,856)
(Increase) decrease in:		
Accounts receivable	(1,497)	6,560
Unconditional promises to give	12,075	34,604
Employee advances	-	2,815
Prepaid expenses	-	7,792
Increase (decrease) in:		
Accounts payable	20,777	720
Accrued payroll	17,490	(2,612)
Accrued interest payable	(10,715)	(7,906)
Deferred revenue	(17,029)	14,020
	<u>54,101</u>	<u>(63,797)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>54,101</u>	<u>(63,797)</u>
Reduction in debts	(342,146)	(308,698)
Cancellation of debt contribution	296,444	250,000
	<u>(45,702)</u>	<u>(58,698)</u>
Cash payment on long-term debt	<u>(45,702)</u>	<u>(58,698)</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, 2014 and 2013 the Organization had no uninsured cash balances.

NOTE D – CONCENTRATION OF SUPPORT

The Organization received 49% and 39% of donations from a major contributor for the years ended December 31, 2014 and 2013, 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 2015. Interest rates at December 31, 2014 and 2013 were 4.5% and 9.25%, respectively.

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

NOTE F – LONG TERM NOTE PAYABLE

Long- term debt at December 31, 2014 and 2013 consists of the following:

	2014	2013
3.45% notes payable to a major contributor, interest payable annually, and entire principal due on January 31, 2015.	-	88,812
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.	217,350	470,684
Total Debt	217,350	559,496
Current maturities	(26,225)	(76,021)
Noncurrent maturities	191,125	483,475

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

2015	26,225
2016	34,068
2017	35,280
2018	36,534
2019	37,834
Thereafter	47,409
Total	217,350

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, 2014 and 2013 consist of the following:

<u>As of December 31, 2014</u>	<u>Cash</u>	<u>Facility</u>	<u>Total</u>
Receivable in less than one year	15,000	15,660	30,660
Receivable in one to five years	-	62,640	62,640
Receivable in more than five years	-	321,030	321,030
Total unconditional promises to give	15,000	399,330	414,330
Less: Discount to net present value	-	(221,765)	(221,765)
Net unconditional promises to give	<u>15,000</u>	<u>177,565</u>	<u>192,565</u>

<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>

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
For subsequent year's free use of facility	177,565	179,615
For subsequent year's activity	15,000	27,075
For sign language interpreter	2,000	-
Total	<u>194,565</u>	<u>206,690</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, 2014 and 2013 was \$10,385 and \$8,561, 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, 2014 and 2013 was \$11,176 and \$11,437, respectively.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2015, the date that the financial statements were available for issue, and determined that the following subsequent events would require disclosure in the financial statements.