

**HARMONY HILL OF UNION**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2017 and 2016**



# HARMONY HILL OF UNION

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

May 29, 2018

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

I have reviewed the accompanying financial statements of Harmony Hill of Union (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

***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 conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

***Accountant's Conclusion***

Based on my review, I am not aware of any material modifications that should be made to the accompanying 2017 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

***Report on the 2016 Financial Statement***

The 2016 financial statements were audited by me, and I expressed an unqualified opinion on them in my report dated March 16, 2017. I have not performed any auditing procedures since that date.



Mary Jane Dubbs  
Certified Public Accountant  
University Place, Washington

**HARMONY HILL OF UNION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2017 and 2016**

ASSETS	<u>2017</u> <u>(Unaudited)</u>	<u>2016</u> <u>(Audited)</u>
Current assets		
Cash and cash equivalent	123,870	80,654
Accounts receivable	-	795
Prepaid expenses	4,000	-
Current unconditional promises to give	32,225	37,252
Total current assets	<u>160,095</u>	<u>118,701</u>
Property and equipment		
Leasehold improvements	4,556,907	4,527,281
Equipment	46,956	41,470
Vehicle	13,030	13,030
Total	<u>4,616,893</u>	<u>4,581,781</u>
Less accumulated depreciation	<u>(1,813,595)</u>	<u>(1,670,343)</u>
Total property and equipment	<u>2,803,298</u>	<u>2,911,438</u>
Long term unconditional promises to give	<u>154,670</u>	<u>157,276</u>
<b>TOTAL ASSETS</b>	<u><u>3,118,063</u></u>	<u><u>3,187,415</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Accounts payable	7,070	25,467
Line of credit	500	150,000
Accrued payroll	33,496	42,001
Deferred revenue	41,040	27,181
TOTAL LIABILITIES	<u>82,106</u>	<u>244,649</u>
Net assets		
Unrestricted	2,863,427	2,750,830
Temporarily restricted	172,530	191,936
TOTAL NET ASSETS	<u>3,035,957</u>	<u>2,942,766</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>3,118,063</u></u>	<u><u>3,187,415</u></u>

**HARMONY HILL OF UNION**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2017 and 2016**

	<b>2017 (Unaudited)</b>			<b>2016 (Audited)</b>		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND OTHER REVENUES</b>						
Support:						
Donations	1,131,525	-	1,131,525	691,493	17,000	708,493
Revenue:						
Program fees	386,902	-	386,902	414,973	-	414,973
Other revenues	4,148	-	4,148	12,187	-	12,187
Total support and revenue	<u>1,522,575</u>	<u>-</u>	<u>1,522,575</u>	<u>1,118,653</u>	<u>17,000</u>	<u>1,135,653</u>
Special events:						
Contributions from special events	69,883	-	69,883	143,601	-	143,601
Gross special event revenue	8,999	-	8,999	13,200	-	13,200
Less: costs of direct benefits to donors	<u>(19,521)</u>	<u>-</u>	<u>(19,521)</u>	<u>(23,587)</u>	<u>-</u>	<u>(23,587)</u>
Total special events	59,361	-	59,361	133,214	-	133,214
Net assets released from restriction	<u>19,406</u>	<u>(19,406)</u>	<u>-</u>	<u>12,406</u>	<u>(12,406)</u>	<u>-</u>
<b>TOTAL SUPPORT AND OTHER REVENUES</b>	<b>1,601,342</b>	<b>(19,406)</b>	<b>1,581,936</b>	<b>1,264,273</b>	<b>4,594</b>	<b>1,268,867</b>
<b>EXPENSES</b>						
Program services						
Retreat center	1,137,135	-	1,137,135	1,100,793	-	1,100,793
Supporting services						
Administrative	156,911	-	156,911	145,696	-	145,696
Fundraising	<u>194,699</u>	<u>-</u>	<u>194,699</u>	<u>152,317</u>	<u>-</u>	<u>152,317</u>
<b>TOTAL EXPENSES</b>	<b><u>1,488,745</u></b>	<b><u>-</u></b>	<b><u>1,488,745</u></b>	<b><u>1,398,806</u></b>	<b><u>-</u></b>	<b><u>1,398,806</u></b>
<b>CHANGES IN NET ASSETS</b>	<b>112,597</b>	<b>(19,406)</b>	<b>93,191</b>	<b>(134,533)</b>	<b>4,594</b>	<b>(129,939)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>2,750,830</u></b>	<b><u>191,936</u></b>	<b><u>2,942,766</u></b>	<b><u>2,885,363</u></b>	<b><u>187,342</u></b>	<b><u>3,072,705</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u><u>2,863,427</u></u></b>	<b><u><u>172,530</u></u></b>	<b><u><u>3,035,957</u></u></b>	<b><u><u>2,750,830</u></u></b>	<b><u><u>191,936</u></u></b>	<b><u><u>2,942,766</u></u></b>

**HARMONY HILL OF UNION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2017 and 2016**

	<b>2017 (Unaudited)</b>				<b>2016 (Audited)</b>			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Retreat Center	Administrative	Fundraising	Total	Retreat Center	Administrative	Fundraising	Total
Salaries	552,915	61,308	133,537	747,760	538,779	54,291	95,621	688,691
Payroll taxes	75,963	8,423	18,346	102,732	62,664	6,315	11,121	80,100
Employee benefits	55,331	6,135	13,363	74,829	42,299	4,262	7,507	54,068
Professional services	66,101	10,500	-	76,601	78,064	10,500	14,000	102,564
Supplies	136,142	5,674	5,674	147,490	116,681	13,772	13,944	144,397
Printing & publications	2,588	574	11,434	14,596	3,991	887	3,991	8,869
Postage	910	202	910	2,022	765	170	764	1,699
Rent	12,528	3,132	-	15,660	12,528	3,132	-	15,660
Utilities	28,346	7,086	-	35,432	30,736	7,684	-	38,420
Facilities	25,518	6,380	-	31,898	11,336	2,834	-	14,170
Telephone	5,693	1,265	5,693	12,651	5,217	1,159	5,217	11,593
Insurance	27,279	3,031	-	30,310	29,879	3,320	-	33,199
Travel	-	13,915	-	13,915	-	13,552	-	13,552
Conference & meetings	-	7,660	-	7,660	-	3,242	-	3,242
Bank service charges	-	12,724	-	12,724	-	12,426	-	12,426
Miscellaneous	-	3,852	-	3,852	-	1,461	-	1,461
Promotion	4,942	-	5,742	10,684	25,033	-	152	25,185
Interest expense	-	4,677	-	4,677	-	6,316	-	6,316
Depreciation	142,879	373	-	143,252	142,821	373	-	143,194
<b>TOTAL EXPENSES</b>	<b>1,137,135</b>	<b>156,911</b>	<b>194,699</b>	<b>1,488,745</b>	<b>1,100,793</b>	<b>145,696</b>	<b>152,317</b>	<b>1,398,806</b>

**HARMONY HILL OF UNION**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2017 and 2016**

	<u>2017</u> <u>(Unaudited)</u>	<u>2016</u> <u>(Audited)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions and public support	1,221,035	849,679
Cash received from program fees and other revenues	391,506	414,977
Cash paid to vendors and employees	(1,380,036)	(1,258,711)
Cash paid for interest expense	(4,677)	(6,316)
Net cash provided (used) by operating activities	<u>227,828</u>	<u>(371)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(35,112)	-
Net cash used by investing activities	<u>(35,112)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payment on line of credit	(149,500)	-
Net cash used for financing activities	<u>(149,500)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	43,216	(371)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>80,654</u>	<u>81,025</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>123,870</u></u>	<u><u>80,654</u></u>
<b>RECONCILIATION OF NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase in net assets	93,191	(129,939)
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Free use of facility	15,660	15,660
Amortization of discount-unconditional promise to give	(13,054)	(13,254)
Depreciation	143,252	143,194
(Increase) decrease in:		
Accounts receivable	795	1,455
Unconditional promises to give	5,027	10,158
Prepaid expenses	(4,000)	-
Increase (decrease) in:		
Accounts payable	(18,397)	1,775
Accrued payroll	(8,505)	(6,661)
Deferred revenue	13,859	(22,759)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>227,828</u></u>	<u><u>(371)</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, 2017 and 2016 the Organization had no uninsured cash balances.

**NOTE D – CONCENTRATION OF SUPPORT**

The Organization received 34% and 28% of donations from a major contributor for the years ended December 31, 2017 and 2016, 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 2018. Interest rates at December 31, 2017 and 2016 were 6.25% and 5.5%, 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, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	32,044	37,252
Receivable in one to five years	62,640	62,640
Receivable in more than five years	<u>274,050</u>	<u>289,710</u>
Total unconditional promises to give	368,734	389,602
Less: Discount to net present value	<u>(182,020)</u>	<u>(195,074)</u>
Net unconditional promises to give	<u><u>186,714</u></u>	<u><u>194,528</u></u>

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2017 and 2016 are restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
For subsequent year's free use of facility	<u>170,530</u>	<u>172,936</u>
For subsequent year's activity	-	17,000
For sign language interpreter	<u>2,000</u>	<u>2,000</u>
Total	<u><u>172,530</u></u>	<u><u>191,936</u></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, 2017 and 2016 was \$10,428 and \$11,012, respectively.

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

**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, 2017 and 2016 was \$10,963 and \$10,001, respectively.

**NOTE J – RELATED PARTY TRANSACTIONS**

The Organization paid professional services of \$14,000 for the year ended December 31, 2016 to a company owned by the Organization’s board member, a related party.

The Organization borrowed and subsequently paid a \$25,000 zero interest short-term loan from its board member, a related party, during the year ended December 31, 2016.

**NOTE K – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 29, 2018, the date that the financial statements were available for issue, and determined that no subsequent events would require disclosure in the financial statements.