

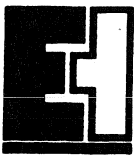
**BRETHREN COMMUNITY
MINISTRIES**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 and 2011**

BRETHREN COMMUNITY MINISTRIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brethren Community Ministries

We have audited the accompanying statement of financial position of Brethren Community Ministries (a nonprofit organization) as of December 31, 2012 and 2011, and the related statements of activities and functional expenses and statements cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brethren Community Ministries as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules, Pages 11 & 12, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

ELLIS LEE HOSTETTER & CO., P.C.
Lebanon, PA 17042

May 3, 2013

BRETHREN COMMUNITY MINISTRIES
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 and 2011

<u>ASSETS</u>		
	2012	2011
CURRENT ASSETS		
PNC Bank	\$ 26,770	\$ 7,997
Prepaid Insurance	2,327	3,868
Prepaid Taxes	1,543	1,506
TOTAL CURRENT ASSETS	\$ 30,640	\$ 13,371
LONG-TERM ASSETS		
Property 1317-1319 Derry Street	\$ 124,037	\$ 124,037
Renovations and Security	113,978	113,978
Total	\$ 238,015	\$ 238,015
Less Accumulated Depreciation	(73,680)	(67,312)
TOTAL LONG-TERM ASSETS	164,335	170,703
TOTAL ASSETS	\$ 194,975	\$ 184,074

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Security Deposits	\$ 1,810	\$ 1,810
Accounts Payable	586	510
Pension Withheld	-	(1,541)
Loan Payable - First Church of the Brethren	-	3,000
Mortgage Payable (Current)	3,010	2,820
TOTAL CURRENT LIABILITIES	\$ 5,406	\$ 6,599
LONG-TERM LIABILITIES		
Mortgage Payable - M & T	\$ 67,464	\$ 70,207
Less Current Portion	(3,010)	(2,820)
TOTAL LONG-TERM LIABILITIES	64,454	67,387
TOTAL LIABILITIES	\$ 69,860	\$ 73,986
NET ASSETS		
Temporarily Restricted	\$ -	\$ -
Unrestricted		
Operations	125,115	110,088
TOTAL NET ASSETS	125,115	110,088
TOTAL LIABILITIES AND NET ASSETS	\$ 194,975	\$ 184,074

See Notes to the Financial Statements.

BRETHREN COMMUNITY MINISTRIES
STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012	2011
REVENUES AND SUPPORT		
Contributions	\$ 10,417	\$ 9,346
Harrisburg First Church of Brethren	28,083	29,000
Atlantic NE District - Church of Brethren	5,835	18,013
Grants	2,210	13,437
Harrisburg Heeding God's Call	6,047	-
Kid's Church and Camp	224	30
Community Thrift Shop	5,684	760
Rental Income	34,659	20,625
Valentine's Dinner	760	1,488
Pancake Breakfast	-	645
Highmark Walk	2,180	2,755
Satyagraha Banquet	11,740	9,553
TOTAL REVENUES AND SUPPORT	\$ 107,839	\$ 105,652
EXPENSES FOR PROGRAMS		
Director - Salary	\$ 4,600	\$ 5,033
Housing	2,000	7,500
Pension	792	1,438
Interim Director Salary and Housing	3,386	-
Professional Growth and Conference	1,288	631
Insurance	707	464
General Expenses	95	150
Kid's Church and Camp	1,490	907
Office Supplies	326	446
Community Programs	6,135	3,359
Violence Reduction Project	3,287	3,466
Harrisburg Heeding God's Call	432	-
Rental Expenses	37,119	36,273
TOTAL EXPENSES FOR PROGRAMS	61,657	59,667
EXCESS REVENUES AND SUPPORT OVER EXPENSES FOR PROGRAMS	\$ 46,182	\$ 45,985

See Notes to the Financial Statements.

Brethren Community Ministries
Statement of Activities and Functional Expenses
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
EXPENSES FOR GENERAL ADMINISTRATION		
Director - Salary	\$ 4,600	\$ 5,032
Housing	2,000	7,500
Pension	792	1,437
Interim Director Salary and Housing	3,385	-
Administrative Assistant	5,025	4,385
Payroll Taxes	384	335
Office Expenses	326	446
Insurance	846	662
Audit	1,005	980
Accounting	2,875	4,574
Bank and Credit Card Fees	502	238
Miscellaneous Expense	-	139
	<u> </u>	<u> </u>
TOTAL EXPENSES FOR GENERAL ADMINISTRATION	\$ 21,740	\$ 25,728
EXPENSES FOR FUNDRAISING		
Satyagraha Banquet	\$ 8,752	\$ 5,158
Highmark Walk	-	-
Valentine's Dinner	663	504
Pancake Breakfast	-	281
Fundraising Costs	-	29,025
	<u> </u>	<u> </u>
TOTAL EXPENSES FOR FUNDRAISING	9,415	34,968
TOTAL GENERAL ADMINISTRATION AND FUNDRAISING EXPENSES	<u>31,155</u>	<u>60,696</u>
CHANGE IN NET ASSETS	\$ 15,027	\$ (14,711)
NET ASSETS, BEGINNING OF YEAR	<u>110,088</u>	<u>124,799</u>
NET ASSETS, END OF YEAR	<u><u>\$ 125,115</u></u>	<u><u>\$ 110,088</u></u>

See Notes to the Financial Statements.

BRETHREN COMMUNITY MINISTRIES
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012	2011
CASH FLOWS WERE PROVIDED BY :		
Change in Net Assets	\$ 15,027	\$ (14,711)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	6,368	6,312
(Increase) Decrease in Prepaid Insurance	1,541	(3)
(Increase) Decrease in Prepaid Taxes	(37)	-
Increase (Decrease) in Accounts Payable	76	146
Increase (Decrease) in Security Deposits	-	-
Increase (Decrease) in Temporary Loan	(3,000)	3,000
Increase (Decrease) in Accrued Expense & Pension W/H	1,541	(409)
Net Cash Provided by (Used in) Operating Activities	\$ 21,516	\$ (5,665)
CASH FLOWS FROM INVESTING ACTIVITIES		
Improvements	\$ -	\$ (1,650)
Net Cash Provided by (Used in) Investing Activities	-	(1,650)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Mortgage Payable	\$ (2,743)	\$ (3,070)
Net Cash Provided by (Used in) Financing Activities	(2,743)	(3,070)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 18,773	\$ (10,385)
CASH AND CASH EQUIVALENTS - Beginning of Year	7,997	18,382
CASH AND CASH EQUIVALENTS - End of Year	\$ 26,770	\$ 7,997
Interest expense for year	\$ 4,758	\$ 4,957

See Notes to the Financial Statements.

BRETHREN COMMUNITY MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

NOTE #1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

GENERAL. Brethren Community Ministries is a nonprofit corporation incorporated February 4, 2000, under Pennsylvania's Nonprofit Corporation Law of 1988. The corporation is a non-stock corporation.

The Organization has received exemption under Section 501 (c) (3) of the Internal Revenue Code.

The purposes of the organization are to:

- a) Serve individuals emotional, social, spiritual and educational needs and operate a weekday children's church group.
- b) Serve inner-city residents with emotional, educational and spiritual needs. The purpose is to support disadvantaged individuals, released alcohol and drug addicts or released prison convicts, help them reacclimate back into society and find jobs and be financially and socially responsible.

ACCOUNTING POLICY. The accrual method of accounting is used for both financial statements and nonprofit reporting. The amounts shown on the financial statements conform or will conform with those appearing on the Brethren Community Ministries nonprofit return Form 990.

DEPRECIATION. Properties are carried at cost less accumulated depreciation. It is the policy of the Organization to charge all additions to the asset account and charge cost of repairs and maintenance to operations in the year incurred. The asset and accumulated depreciation accounts are relieved when properties are disposed. The depreciation and accumulated depreciation accounts reflect the depreciation allowed for income tax reporting. The Organization uses the following methods and useful lives in computing depreciation:

Buildings & Renovations	straight line	25 - 39 years
Security Systems & Signs	straight line	7 years
Building Equipment	straight line	15 years
Painting and Appliances	straight line	5 years

NOTE #2 USE OF ESTIMATES

The preparation of statements requires management to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Brethren Community Ministries
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE #3 INCOME TAX

Brethren Community Housing is exempt from income taxes under section 501 (c)(3) of the Internal Revenue Code. The Organization is required to file an annual federal Form 990 - Return of Organization Exempt From Income Tax.

NOTE #4 NET ASSETS

The financial statements report amounts by class of net assets. All unrestricted net assets are available at the discretion of the board for use in the Organization's programs.

NOTE #5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in Bank Accounts.

NOTE #6 ALLOCATION OF EXPENSES

The Organization uses the following policy in allocating its expenses:

- a) Costs allocated to programs include all related costs to operate a kid's church, family assistance and rental property.
- b) General administration expenses come from general revenues.

NOTE #7 VOLUNTEER HOURS

Various individuals volunteered numerous hours for the kid's church, family assistance, computer classes, violence reduction (Agape-Satyagraha Training), and food distribution.

NOTE #8 LONG-TERM ASSETS

On September 14, 2001, the Organization purchased the property at 1317-1319 Derry Street, Harrisburg, PA. The property was listed for \$170,000. The seller reduced the price by a \$50,000 contribution and Brethren Community Ministries recorded the cost on its records as \$120,000. Settlement costs were \$4,037. Renovations, security system and signs expended through December 31, 2012 totaled \$113,978, and renovations, security system and signs expended through December 31, 2011 totaled \$113,978.

NOTE #9 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 13, 2013, the date the financials were available to be issued.

Brethren Community Ministries
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE #10 MORTGAGE PAYABLE

Brethren Community Ministries borrowed \$98,000 from Allfirst Bank, now M & T Bank, to purchase the 1317-1319 Derry Street property. The interest rate was 7.8% and monthly payments were \$814 based on a twenty-year amortization schedule. The loan was refinanced in 2008 at a beginning balance of \$81,000 with interest of 6.5% over the new five-year term. The monthly payment is \$608.42 based on a twenty-year amortization schedule. The final balloon payment is estimated to be \$69,577 and is due by August 19, 2013. The remaining balance as of December 31, 2012 was \$67,464, and as of December 31, 2011 was \$70,207.

The five-year repayment schedule is as follows:

<u>YEAR ENDED</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>BALANCE</u>
31-Dec-11			\$ 70,207
December 31, 2012	\$ 2,743	\$ 4,758	67,464
December 31, 2013	67,464	4,292	-
Totals	<u>\$ 70,207</u>	<u>\$ 9,050</u>	

NOTE #11 REAL ESTATE

The property at 1317-1319 Derry Street contains six apartments and one commercial rental unit.

NOTE #12 COMPENSATED ABSENCES

The Organization has not accrued compensated absences because the amount cannot be reasonably estimated.

NOTE #13 PENSION

The director is an ordained minister with the Church of the Brethren and his retirement is sent to their Pension Fund.

Brethren Community Ministries
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE #14 FAIR VALUE MEASUREMENT

Financial Accounting Standards Board Statement No. 157, Fair Value Measurements (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 or 2011.

Common stocks, corporate bonds and U.S. government securities : Valued at the closing price reported on the active market on which the individual securities are traded.

Brethren Community Ministries
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE #14 FAIR VALUE MEASUREMENT - continued

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash on Hand	\$ -	\$ -	\$ -
Cash in Bank	26,770	-	-
Certificates	-	-	-
Gov't Obligations	-	-	-
Corporate Bonds	-	-	-
Common Stock	-	-	-
Mutual Funds	-	-	-
Total Fair Value Measurement	<u>\$ 26,770</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash on Hand	\$ -	\$ -	\$ -
Cash in Bank	7,997	-	-
Certificates	-	-	-
Gov't Obligations	-	-	-
Corporate Bonds	-	-	-
Common Stock	-	-	-
Mutual Funds	-	-	-
Total Fair Value Measurement	<u>\$ 7,997</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTAL SCHEDULES

BRETHREN COMMUNITY MINISTRIES
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash in Bank		
PNC Checking	\$ 26,770	\$ 7,997
Total Cash in Bank	<u>\$ 26,770</u>	<u>\$ 7,997</u>
 Long-Term Assets		
Property 1317-1319 Derry St.	\$ 120,000	\$ 120,000
Settlement Costs	4,037	4,037
Total	<u>\$ 124,037</u>	<u>\$ 124,037</u>
Renovations	\$ 109,513	\$ 109,513
Security System	3,840	3,840
Signs	625	625
Total	<u>113,978</u>	<u>113,978</u>
Total Long-Term Assets	<u>\$ 238,015</u>	<u>\$ 238,016</u>
 Contributions		
Individuals	\$ 1,800	\$ 7,420
Congregation and others	7,335	-
United Way	1,282	1,926
Total Contributions	<u>\$ 10,417</u>	<u>\$ 9,346</u>
 Grants		
Allison Hill Foundation	2,210	1,945
Other Grants	-	11,492
Total Grants	<u>\$ 2,210</u>	<u>\$ 13,437</u>

Brethren Community Ministries
 Supplemental Schedules
 For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Community Programs Expenses		
Bible Studies	\$ 204	\$ 254
Camp Scholarships	844	528
Emergency Expenses	5,054	2,399
Violence Reduction Project	3,287	3,466
Harrisburg Heeding God's Call	432	-
Kids' Church	646	379
Tutoring	-	15
Computer Club	877	691
	<u>877</u>	<u>691</u>
Total Community Programs Expenses	<u>\$ 11,344</u>	<u>\$ 7,732</u>
Rental Expenses		
License	\$ 50	\$ -
Interest and Bank Fees	4,758	4,631
Insurance	3,447	3,925
Advertising	210	336
Professional Fees	576	-
Management	2,980	1,332
Office Supplies and Postage	161	57
Repairs and Supplies	6,264	8,847
Rental Fee	-	-
Real Estate Taxes	5,057	5,113
Utilities	7,248	5,719
Depreciation	6,368	6,313
	<u>6,368</u>	<u>6,313</u>
Total Rental Expenses	<u>\$ 37,119</u>	<u>\$ 36,273</u>