

BRETHREN COMMUNITY MINISTRIES

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2013 and 2012**

**PERFORMANCE REVIEW
FORM 990 – RETURN OF ORGANIZATION EXEMPT
FROM INCOME TAX
CHARITABLE ORGANIZATION REGISTRATION
STATEMENT – FORM BCO-10 AND
PENNSYLVANIA PUBLIC DISCLOSURE
FORM BCO-23
FOR THE YEAR ENDED
DECEMBER 31, 2013**



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DECEMBER 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Brethren Community Ministries

We have audited the accompanying financial statements of Brethren Community Ministries (a nonprofit organization), which comprise the statements of assets, liabilities and net assets – tax basis as of December 31, 2013 and 2012, and the related statements of revenues and support and functional expenses - tax basis and statements of cash flows for the years then ended, the related notes to the financial statements and supplemental schedules – tax basis for Brethren Community Ministries for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting Brethren Community Ministries uses for tax purposes; this includes determining that the tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Brethren Community Ministries as of December 31, 2013 and 2012, and its revenues, support and expenses and other changes in net assets for the years then ended in accordance with the basis of accounting Brethren Community Ministries uses for tax purposes described in Note #1.

Basis of Accounting

We draw attention to Note #1 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting Brethren Community Ministries uses for tax purposes, which is a basis of accounting other than generally accepted accounting principles in the United States of America. Our opinion is not modified with respect to this matter.



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

July 22, 2014

BRETHREN COMMUNITY MINISTRIES
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
 (TAX BASIS)
 AS OF DECEMBER 31, 2013 and 2012

	<u>ASSETS</u>	
	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
PNC Bank	\$ 23,732	\$ 26,770
Prepaid Insurance	1,933	2,327
Prepaid Taxes	1,598	1,543
TOTAL CURRENT ASSETS	\$ 27,263	\$ 30,640
LONG-TERM ASSETS		
Property 1317-1319 Derry Street Renovations and Security	\$ 124,037 113,978	\$ 124,037 113,978
Total	\$ 238,015	\$ 238,015
Less Accumulated Depreciation	(80,048)	(73,680)
TOTAL LONG-TERM ASSETS	157,967	164,335
TOTAL ASSETS	\$ 185,230	\$ 194,975
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Security Deposits	\$ 1,810	\$ 1,810
Accounts Payable	463	586
Mortgage Payable (Current)	3,960	3,010
TOTAL CURRENT LIABILITIES	\$ 6,233	\$ 5,406
LONG-TERM LIABILITIES		
Mortgage Payable - M & T Less Current Portion	\$ 65,027 (3,960)	\$ 67,464 (3,010)
TOTAL LONG-TERM LIABILITIES	61,067	64,454
TOTAL LIABILITIES	\$ 67,300	\$ 69,860
NET ASSETS		
Temporarily Restricted Unrestricted Operations	\$ 5,615 112,315	\$ - 125,115
TOTAL NET ASSETS	117,930	125,115
TOTAL LIABILITIES AND NET ASSETS	\$ 185,230	\$ 194,975

BRETHREN COMMUNITY MINISTRIES
 STATEMENTS OF REVENUES AND SUPPORT AND FUNCTIONAL EXPENSES
 (TAX BASIS)
 FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES AND SUPPORT		
Contributions	\$ 11,241	\$ 10,417
Harrisburg First Church of Brethren	34,500	28,083
Atlantic NE District - Church of Brethren	7,633	5,835
Grants	2,135	2,210
Harrisburg Heeding God's Call	2,226	6,047
Kid's Church and Camp	176	224
Community Thrift Shop	344	5,684
Rental Income	44,786	34,659
Valentine's Dinner	1,007	760
Highmark Walk	100	2,180
Satyagraha Banquet	<u>10,134</u>	<u>11,740</u>
TOTAL REVENUES AND SUPPORT	\$ 114,282	\$ 107,839
EXPENSES FOR PROGRAMS		
Director - Salary	\$ 7,125	\$ 4,600
Housing	10,000	2,000
Pension	-	792
Interim Director Salary and Housing	-	3,386
Professional Growth and Conference	4,103	1,288
Insurance	862	707
General Expenses	-	95
Kid's Church and Camp	1,560	1,490
Office Supplies	415	326
Community Programs	6,445	6,135
Violence Reduction Project	5,628	3,287
Harrisburg Heeding God's Call	1,341	432
Maintenance and Repairs	201	-
Rental Expenses	<u>40,395</u>	<u>37,119</u>
TOTAL EXPENSES FOR PROGRAMS	<u>78,075</u>	<u>61,657</u>
EXCESS REVENUES AND SUPPORT OVER EXPENSES FOR PROGRAMS	\$ 36,207	\$ 46,182

See Notes to the Financial Statements.

Brethren Community Ministries
Statement of Revenues and Support and Functional Expenses
(Tax Basis)
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
EXPENSES FOR GENERAL ADMINISTRATION		
Director - Salary	\$ 7,125	\$ 4,600
Housing	10,000	2,000
Pension	-	792
Interim Director Salary and Housing	-	3,385
Administrative Assistant	9,966	5,025
Payroll Taxes	763	384
Office Expenses	414	326
Insurance	866	846
Audit	1,320	1,005
Accounting	3,428	2,875
Bank and Credit Card Fees	206	502
Maintenance and Repairs	201	-
Miscellaneous Expense	23	-
	<u> </u>	<u> </u>
TOTAL EXPENSES FOR GENERAL ADMINISTRATION	\$ 34,312	\$ 21,740
EXPENSES FOR FUNDRAISING		
Satyagraha Banquet	\$ 8,240	\$ 8,752
Highmark Walk	-	-
Valentine's Dinner	740	663
Pancake Breakfast	-	-
PA Registration	100	-
Fundraising Costs	-	-
	<u> </u>	<u> </u>
TOTAL EXPENSES FOR FUNDRAISING	9,080	9,415
TOTAL GENERAL ADMINISTRATION AND FUNDRAISING EXPENSES	<u>43,392</u>	<u>31,155</u>
CHANGE IN NET ASSETS	\$ (7,185)	\$ 15,027
NET ASSETS, BEGINNING OF YEAR	<u>125,115</u>	<u>110,088</u>
NET ASSETS, END OF YEAR	<u>\$ 117,930</u>	<u>\$ 125,115</u>

See Notes to the Financial Statements.

BRETHREN COMMUNITY MINISTRIES
STATEMENTS OF CASH FLOWS
(TAX BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS WERE PROVIDED BY :		
Change in Net Assets	\$ (7,185)	\$ 15,027
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	6,368	6,368
(Increase) Decrease in Prepaid Insurance	394	1,541
(Increase) Decrease in Prepaid Taxes	(55)	(37)
Increase (Decrease) in Accounts Payable	(123)	76
Increase (Decrease) in Security Deposits	-	-
Increase (Decrease) in Temporary Loan	-	(3,000)
Increase (Decrease) in Accrued Expense & Pension W/H	-	1,541
Net Cash Provided by (Used in) Operating Activities	<u>\$ (601)</u>	<u>\$ 21,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Improvements	<u>\$ -</u>	<u>\$ -</u>
Net Cash Provided by (Used in) Investing Activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Mortgage Payable	<u>\$ (2,437)</u>	<u>\$ (2,743)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(2,437)</u>	<u>(2,743)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (3,038)	\$ 18,773
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>26,770</u>	<u>7,997</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 23,732</u></u>	<u><u>\$ 26,770</u></u>
Interest paid during year	<u><u>\$ 4,758</u></u>	<u><u>\$ 4,758</u></u>

See Notes to the Financial Statements.

BRETHREN COMMUNITY MINISTRIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

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 on the tax basis 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, 2013 and 2012

NOTE #3 INCOME TAX

The Organization is a nonprofit corporation whose revenue is derived from fees, grants, contributions and other fundraising activities and is not subject to federal or state income taxes. The Organization is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and is not considered a private foundation.

The accounting standard on accounting for uncertainty in income taxes addresses the determination whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will not be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for years ended December 31, 2013 and 2012.

The Organization files a federal Form 990 - Return of Organization Exempt From Income Tax. The Organization also files Charitable Registration Statements - BCO-10 and BCO-23 with the Commonwealth of Pennsylvania. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2010.

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.

Brethren Community Ministries
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

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, 2013 totaled \$113,978, and renovations, security system and signs expended through December 31, 2012 totaled \$113,978.

NOTE #9 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 21, 2014, the date the financials were available to be issued.

NOTE #10 REAL ESTATE

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

NOTE #11 COMPENSATED ABSENCES

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

NOTE #12 PENSION

The executive 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, 2013 and 2012

NOTE #13 MORTGAGE PAYABLE

Brethren Community Ministries borrowed \$81,000 from PNC Bank on August 19, 2008 to pay off loan from M & T Bank for purchase of 1317-1319 Derry Street property. The interest rate was 6.50% over the next five years and monthly payments were \$608.42 based on a twenty-year amortization schedule. The final balloon payment was estimated to be \$65,000 and was due by August 19, 2013. The agreement was changed on December 17, 2013 with an effective date of November 18, 2013 and maturity date of December 19, 2023. The balance was \$65,026.70 with the interest rate changed to 6.00% and monthly payments of \$724.69

The five-year repayment schedule is as follows:

<u>YEAR ENDED</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>BALANCE</u>
December 31, 2013			\$ 65,027
December 31, 2014	\$ 4,933	\$ 3,767	60,094
December 31, 2015	5,237	3,463	54,857
December 31, 2016	5,559	3,141	49,298
December 31, 2017	5,903	2,797	43,395
December 31, 2018	6,266	2,434	37,129
Totals	<u>\$ 27,898</u>	<u>\$ 15,602</u>	

Brethren Community Ministries
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

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, 2013 or 2012.

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, 2013 and 2012

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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash on Hand	\$ -	\$ -	\$ -
Cash in Bank	23,732	-	-
Certificates	-	-	-
Gov't Obligations	-	-	-
Corporate Bonds	-	-	-
Common Stock	-	-	-
Mutual Funds	-	-	-
Total Fair Value Measurement	<u>\$ 23,732</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, 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 Notes to the Financial Statements are an Integral Part of these Statements.

SUPPLEMENTAL SCHEDULES

BRETHREN COMMUNITY MINISTRIES
SUPPLEMENTAL SCHEDULES
(TAX BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash in Bank		
PNC Checking	\$ 23,732	\$ 26,770
Total Cash in Bank	<u>\$ 23,732</u>	<u>\$ 26,770</u>
Long-Term Assets		
Property 1317-1319 Derry St.	\$ 120,000	\$ 120,000
Settlement Costs	<u>4,037</u>	<u>4,037</u>
Total	\$ 124,037	\$ 124,037
Renovations	\$ 109,513	\$ 109,513
Security System	3,840	3,840
Signs	<u>625</u>	<u>625</u>
Total	<u>113,978</u>	<u>113,978</u>
Total Long-Term Assets	<u>\$ 238,015</u>	<u>\$ 238,015</u>
Contributions		
Individuals	\$ 2,378	\$ 1,800
Congregation and others	4,653	7,335
United Way	<u>1,210</u>	<u>1,282</u>
Total Contributions	<u>\$ 8,241</u>	<u>\$ 10,417</u>
Grants		
Allison Hill Foundation	2,035	2,210
Other Grants	<u>100</u>	<u>-</u>
Total Grants	<u>\$ 2,135</u>	<u>\$ 2,210</u>

See Notes to the Financial Statements.

Brethren Community Ministries
 Supplemental Schedules
 (Tax Basis)
 For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Community Programs Expenses		
Bible Studies	\$ 935	\$ 204
Camp Scholarships	1,410	844
Emergency Expenses	4,960	5,054
Violence Reduction Project	5,628	3,287
Harrisburg Heeding God's Call	1,341	432
Kids' Church	150	646
Training Expenses	324	-
Other Community Expenses	171	-
Computer Club	55	877
Total Community Programs Expenses	<u>\$ 14,974</u>	<u>\$ 11,344</u>
Rental Expenses		
License	\$ 50	\$ 50
Interest Expense	4,371	4,601
Bank Fees	437	157
Dues and Subscriptions	135	-
Insurance	3,069	3,447
Advertising	-	210
Professional Fees	-	576
Management	-	2,980
Office Supplies and Postage	554	161
Repairs and Supplies	6,663	6,264
Real Estate Taxes	5,148	5,057
Utilities	13,600	7,248
Depreciation	6,368	6,368
Total Rental Expenses	<u>\$ 40,395</u>	<u>\$ 37,119</u>

See Notes to the Financial Statements.