

**BRETHREN COMMUNITY
MINISTRIES**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 and 2013**



ELLIS LEE HOSTETTER & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ELLIS LEE HOSTETTER, CPA

E-mail: ellis@elhcopc.com

BARRY DEAN HOSTETTER, CPA

E-mail: barry@elhcopc.com

134 Cumberland Street
Lebanon, PA 17042-5443

Phone: 717-273-8197

Fax: 717-273-8220

website: www.elhcopc.com

BRETHREN COMMUNITY MINISTRIES

TABLE OF CONTENTS

	<u>PAGE</u>
Auditors' Report on the Financial Statements	1 - 2
Statements of -	
Assets, Liabilities and Net Assets - Tax Basis	3
Revenues and Support and Functional Expenses - Tax Basis	4 - 5
Cash Flows - Tax Basis	6
Notes to the Financial Statements	7 - 12
Supplemental Schedules - Tax Basis	13 - 14
Performance Review	15 - 25



ELLIS LEE HOSTETTER & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 Cumberland Street
Lebanon, PA 17042-5443

ELLIS LEE HOSTETTER, CPA
E-mail: ellis@elhcopc.com
BARRY DEAN HOSTETTER, CPA
E-mail: barry@elhcopc.com

Phone: 717-273-8197
Fax: 717-273-8220
website: www.elhcopc.com

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 – income tax basis as of December 31, 2014 and 2013, the related statements of revenues and support and functional expenses - income tax basis and statements of cash flows – income tax basis for the years then ended, the related notes to the financial statements and supplemental schedules – income 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, 2014 and 2013, 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

May 19, 2015

BRETHREN COMMUNITY MINISTRIES
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
 (INCOME TAX BASIS)
 AS OF DECEMBER 31, 2014 and 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
PNC Bank	\$ 10,319	\$ 23,732
Prepaid Insurance	1,587	1,933
Prepaid Taxes	1,597	1,598
TOTAL CURRENT ASSETS	<u>\$ 13,503</u>	<u>\$ 27,263</u>
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	<u>(86,416)</u>	<u>(80,048)</u>
TOTAL LONG-TERM ASSETS	<u>151,599</u>	<u>157,967</u>
TOTAL ASSETS	<u><u>\$ 165,102</u></u>	<u><u>\$ 185,230</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES		
Security Deposits	\$ 1,810	\$ 1,810
Accounts Payable	125	463
Mortgage Payable (Current)	5,237	3,960
TOTAL CURRENT LIABILITIES	<u>\$ 7,172</u>	<u>\$ 6,233</u>
LONG-TERM LIABILITIES		
Mortgage Payable - M & T Less Current Portion	\$ 60,133 <u>(5,237)</u>	\$ 65,027 <u>(3,960)</u>
TOTAL LONG-TERM LIABILITIES	<u>54,896</u>	<u>61,067</u>
TOTAL LIABILITIES	<u>\$ 62,068</u>	<u>\$ 67,300</u>
NET ASSETS		
Temporarily Restricted Unrestricted Operations	\$ 5,249 97,785	\$ 5,615 112,315
TOTAL NET ASSETS	<u>103,034</u>	<u>117,930</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 165,102</u></u>	<u><u>\$ 185,230</u></u>

See Notes to the Financial Statements.

BRETHREN COMMUNITY MINISTRIES
 STATEMENTS OF REVENUES AND SUPPORT AND FUNCTIONAL EXPENSES
 (INCOME TAX BASIS)
 FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

	2014	2013
REVENUES AND SUPPORT		
Contributions	\$ 5,003	\$ 11,241
Harrisburg First Church of Brethren	36,108	34,500
Atlantic NE District - Church of Brethren	10,417	7,633
Grants	7,800	2,135
Harrisburg Heeding God's Call	1,950	2,226
Kid's Church and Camp	185	176
Community Thrift Shop	408	344
Rental Income	45,414	44,786
Valentine's Dinner	-	1,007
Highmark Walk	13,926	100
Satyagraha Banquet	13,458	10,134
TOTAL REVENUES AND SUPPORT	\$ 134,669	\$ 114,282
EXPENSES FOR PROGRAMS		
Director - Salary	\$ 6,250	\$ 7,125
Housing	14,750	10,000
Pension	926	-
Professional Growth and Conference	375	4,103
Program Assistant	12,222	-
Payroll Taxes	859	-
Insurance	676	862
General Expenses	373	-
Kid's Church and Camp	1,619	1,560
Office Supplies	392	415
Community Programs	8,565	6,445
Violence Reduction Project	6,147	5,628
Harrisburg Heeding God's Call	3,211	1,341
Maintenance and Repairs	537	201
Rental Expenses	33,066	40,395
TOTAL EXPENSES FOR PROGRAMS	89,968	78,075
EXCESS REVENUES AND SUPPORT OVER EXPENSES FOR PROGRAMS	\$ 44,701	\$ 36,207

See Notes to the Financial Statements.

Brethren Community Ministries
Statement of Revenues and Support and Functional Expenses
(Income Tax Basis)
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
EXPENSES FOR GENERAL ADMINISTRATION		
Director - Salary	\$ 6,250	\$ 7,125
Housing	14,750	10,000
Pension	926	-
Administrative Assistant	15,114	9,966
Payroll Taxes	858	763
Payroll Services	711	
Office Expenses	391	414
Insurance	677	866
Audit	-	1,320
Accounting	2,475	3,428
Bank and Credit Card Fees	(83)	206
Maintenance and Repairs	536	201
Miscellaneous Expense	-	23
	<u> </u>	<u> </u>
TOTAL EXPENSES FOR GENERAL ADMINISTRATION	\$ 42,605	\$ 34,312
EXPENSES FOR FUNDRAISING		
Satyagraha Banquet	\$ 16,341	\$ 8,240
Highmark Walk	651	-
Valentine's Dinner	-	740
PA Registration	-	100
	<u> </u>	<u> </u>
TOTAL EXPENSES FOR FUNDRAISING	16,992	9,080
TOTAL GENERAL ADMINISTRATION AND FUNDRAISING EXPENSES	59,597	43,392
	<u> </u>	<u> </u>
CHANGE IN NET ASSETS	\$ (14,896)	\$ (7,185)
NET ASSETS, BEGINNING OF YEAR	117,930	125,115
	<u> </u>	<u> </u>
NET ASSETS, END OF YEAR	\$ 103,034	\$ 117,930
	<u> </u>	<u> </u>

See Notes to the Financial Statements.

BRETHREN COMMUNITY MINISTRIES
 STATEMENTS OF CASH FLOWS
 (INCOME TAX BASIS)
 FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

	2014	2013
CASH FLOWS WERE PROVIDED BY :		
Change in Net Assets	\$ (14,896)	\$ (7,185)
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	346	394
(Increase) Decrease in Prepaid Taxes	1	(55)
Increase (Decrease) in Accounts Payable	(338)	(123)
Increase (Decrease) in Security Deposits	-	-
Increase (Decrease) in Accrued Expense & Pension W/H	-	-
Net Cash Provided by (Used in) Operating Activities	\$ (8,519)	\$ (601)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Improvements	\$ -	\$ -
Net Cash Provided by (Used in) Investing Activities	-	-
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Mortgage Payable	\$ (4,894)	\$ (2,437)
Net Cash Provided by (Used in) Financing Activities	(4,894)	(2,437)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (13,413)	\$ (3,038)
 CASH AND CASH EQUIVALENTS - Beginning of Year	23,732	26,770
 CASH AND CASH EQUIVALENTS - End of Year	\$ 10,319	\$ 23,732
 Interest paid during year	\$ 3,806	\$ 4,601

See Notes to the Financial Statements.

BRETHREN COMMUNITY MINISTRIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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 income 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 (Income Tax Basis)
For the Years Ended December 31, 2014 and 2013

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, 2014 and 2013.

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 2011.

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 (Income Tax Basis)
For the Years Ended December 31, 2014 and 2013

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, 2013 totaled \$113,978.

NOTE #9 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 21, 2015, 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 (Income Tax Basis)
For the Years Ended December 31, 2014 and 2013

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, 2014			\$ 60,133
December 31, 2015	\$ 5,237	\$ 3,463	54,896
December 31, 2016	5,559	3,141	49,337
December 31, 2017	5,903	2,797	43,434
December 31, 2018	6,267	2,433	37,167
December 31, 2019	6,653	2,047	30,514
Totals	<u>\$ 29,619</u>	<u>\$ 13,881</u>	

Brethren Community Ministries
Notes to the Financial Statements (Income Tax Basis)
For the Years Ended December 31, 2014 and 2013

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, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash on Hand	\$ -	\$ -	\$ -
Cash in Bank	10,319	-	-
Certificates	-	-	-
Gov't Obligations	-	-	-
Corporate Bonds	-	-	-
Common Stock	-	-	-
Mutual Funds	-	-	-
Total Fair Value Measurement	<u>\$ 10,319</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, 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 Notes to the Financial Statements are an Integral Part of these Statements.

SUPPLEMENTAL SCHEDULES

BRETHREN COMMUNITY MINISTRIES
SUPPLEMENTAL SCHEDULES
(INCOME TAX BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash in Bank		
PNC Checking	\$ 10,319	\$ 23,732
Total Cash in Bank	<u>\$ 10,319</u>	<u>\$ 23,732</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>\$ 238,015</u>
Contributions		
Individuals	\$ 2,368	\$ 5,378
Congregation and others	1,088	4,653
United Way	1,547	1,210
Total Contributions	<u>\$ 5,003</u>	<u>\$ 11,241</u>
Grants		
Allison Hill Foundation	\$ 2,375	\$ 2,035
Children's Home Foundation	425	-
Community Aid	5,000	-
Other Grants	-	100
Total Grants	<u>\$ 7,800</u>	<u>\$ 2,135</u>

See Notes to the Financial Statements.

Brethren Community Ministries
 Supplemental Schedules
 (Income Tax Basis)
 For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Community Programs Expenses		
Bible Studies	\$ 1,162	\$ 935
Camp Scholarships	1,410	1,410
Emergency Expenses	6,541	4,960
Violence Reduction Project	6,147	5,628
Harrisburg Heeding God's Call	3,211	1,341
Kids' Church	209	150
Training Expenses	-	324
Program Expenses - Food	560	
Other Community Expenses	373	171
Computer Club	302	55
	<u>\$ 19,915</u>	<u>\$ 14,974</u>
Rental Expenses		
License	\$ 40	\$ 50
Interest Expense	3,806	4,371
Bank Fees	28	437
Dues and Subscriptions	-	135
Insurance	3,047	3,069
Advertising	-	-
Professional Fees	2	-
Management	-	-
Office Supplies and Postage	467	554
Repairs and Supplies	6,762	6,663
Real Estate Taxes	5,202	5,148
Utilities	7,344	13,600
Depreciation	6,368	6,368
	<u>\$ 33,066</u>	<u>\$ 40,395</u>

See Notes to the Financial Statements.