

**Helping Up Mission, Inc.
and Subsidiaries**

**Audited Consolidated
Financial Statements**

June 30, 2012 and 2011

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Independent Auditor's Report

Board of Directors
Helping Up Mission, Inc. and Subsidiaries
Baltimore, Maryland

We have audited the accompanying consolidated statements of financial position of Helping Up Mission, Inc. and Subsidiaries (House of Freedom, Inc. and New Creations Staffing Solutions, Inc.) as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Helping Up Mission, Inc. and Subsidiaries as of June 30, 2012 and 2011, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McLean, Koehler, Sparks & Hammond

October 31, 2012

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Financial Position

June 30,	<u>2012</u>	<u>2011</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 675,833	\$ 1,579,564
Certificates of deposit	51,651	51,251
Accounts receivable, net of allowance	193,543	248,998
Grant receivable	447,434	1,013
Capital campaign pledges receivable	78,859	197,479
Prepaid expenses and other current assets	41,051	47,317
Total current assets	<u>1,488,371</u>	<u>2,125,622</u>
Property and Equipment:		
Buildings and improvements	13,679,721	13,882,936
Furniture and equipment	735,789	696,403
Vehicles	197,463	197,463
Total	14,612,973	14,776,802
Less accumulated depreciation	<u>2,495,131</u>	<u>2,105,655</u>
	12,117,842	12,671,147
Land	400,500	400,500
Construction in progress	1,870,845	81,313
Net property and equipment	<u>14,389,187</u>	<u>13,152,960</u>
Other Assets:		
Investments	1,065,643	816,909
Capital campaign pledges receivable - noncurrent	174,138	272,063
Loan costs - net of accumulated amortization of \$18,395 - 2012 and \$40,375 - 2011	37,761	18,276
Security deposits	3,100	3,100
Total other assets	<u>1,280,642</u>	<u>1,110,348</u>
Total Assets	<u>\$ 17,158,200</u>	<u>\$ 16,388,930</u>

	<u>2012</u>	<u>2011</u>
Liabilities and Net Assets		
Current Liabilities:		
Lines of credit	\$ 203,471	\$ -
Current maturities of long-term debt	110,128	112,859
Current maturities of annuities payable	6,659	6,277
Accounts payable	67,730	82,970
Accrued expenses and other current liabilities	185,904	149,714
Deferred grant revenue	53,006	85,000
Total current liabilities	<u>626,898</u>	<u>436,820</u>
Long-Term Liabilities:		
Lines of credit	296,619	-
Long-term debt	1,839,780	1,953,893
Annuities payable	22,345	29,004
Total long-term liabilities	<u>2,158,744</u>	<u>1,982,897</u>
Total liabilities	<u>2,785,642</u>	<u>2,419,717</u>
Net Assets:		
Unrestricted	14,346,105	13,959,606
Temporarily restricted	26,453	9,607
Total net assets	<u>14,372,558</u>	<u>13,969,213</u>
Total Liabilities and Net Assets	<u>\$ 17,158,200</u>	<u>\$ 16,388,930</u>

The notes to consolidated financial statements are an integral part of these statements.

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Activities

For the years ended June 30,

2012

2011

Unrestricted Net Assets

Support and Revenue

Support:

Contributions and gifts

\$ 3,434,246 \$ 3,220,453

In-kind donations

2,169,694 2,734,814

Total support

5,603,940 5,955,267

Revenue:

Program fees

1,658,715 1,583,252

Placement service fees

347,486 429,880

Other income

11,353 17,377

Total revenue

2,017,554 2,030,509

Total support and revenue

7,621,494 7,985,776

Functional Expenses:

Program services

6,437,872 6,378,741

Administrative and general

552,465 513,774

Fundraising

1,227,005 1,231,807

Total functional expenses

8,217,342 8,124,322

Decrease in net assets from operations

(595,848) (138,546)

Non-operating support - Investment income

50,900 173,011

Net assets released from restriction

931,447 1,822,331

Increase in unrestricted net assets

386,499 1,856,796

Temporarily Restricted Net Assets

Contributions, pledges and grants

948,293 1,822,297

Net assets released from restrictions

(931,447) (1,822,331)

Increase (decrease) in temporarily restricted net assets

16,846 (34)

Increase in total net assets

403,345 1,856,762

Net assets, beginning of year

13,969,213 12,112,451

Net assets, end of year

\$ 14,372,558 \$ 13,969,213

The notes to consolidated financial statements are an integral part of these statements.

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses

For the year ended June 30, 2012 (with comparative totals for 2011)

	Program Services	Administrative and General	Fundraising	Total	
				2012	2011
Amortization	\$ -	\$ 7,033	\$ -	\$ 7,033	\$ 5,928
Annuity interest	-	2,048	-	2,048	2,405
Bad debt	212,429	-	-	212,429	6,978
Bank charges	-	30,199	18,445	48,644	44,296
Banquet	146,107	-	-	146,107	135,904
Camps	42,000	-	-	42,000	24,000
Conference, seminars and meetings	3,057	4,603	9,305	16,965	24,332
Cultivation and acquisition	3,677	-	713,388	717,065	665,367
Depreciation	443,765	52,208	26,104	522,077	509,564
Educational	15,333	6,572	-	21,905	26,022
Equipment lease and maintenance	61,596	7,490	20,791	89,877	78,692
Food purchases	181,154	64	-	181,218	136,439
Insurance	76,173	32,645	-	108,818	92,819
Interest	100,471	13,577	21,723	135,771	179,747
Memberships and subscriptions	4,324	2,400	2,285	9,009	6,979
Loss on disposal of equipment	71,490	7,943	-	79,433	6,682
Newsletter expenses	125,682	-	-	125,682	135,936
Permits, licenses and taxes	3,747	-	-	3,747	2,744
Printing, postage and shipping	25	180	115	320	1,629
Professional and contractual services	29,120	77,224	109,879	216,223	256,053
Public awareness	155,741	62	1,285	157,088	136,353
Publications	1,477	-	-	1,477	864
Rent	81,600	-	-	81,600	49,862
Repairs and maintenance - building	103,851	12,531	-	116,382	95,805
Residents' allowance and assistance	22,005	48	-	22,053	15,523
Salaries and related expenses	1,932,826	257,569	263,843	2,454,238	2,268,085
Special events	753	243	5,079	6,075	12,689
Supplies	142,790	12,318	3,099	158,207	137,173
Telephone	28,167	8,617	4,400	41,184	35,855
Travel and entertainment	1,178	3,747	319	5,244	6,508
Utilities	229,688	12,816	26,945	269,449	249,417
Vehicles	47,952	328	-	48,280	38,858
Subtotal	4,268,178	552,465	1,227,005	6,047,648	5,389,508
Non-cash distributions:					
Donated merchandise distribution	463,599	-	-	463,599	532,467
Donated professional services distribution	498,173	-	-	498,173	546,998
Donated food distribution	1,207,922	-	-	1,207,922	1,655,349
Subtotal - Non-cash distributions	2,169,694	-	-	2,169,694	2,734,814
Total functional expenses	\$ 6,437,872	\$ 552,465	\$ 1,227,005	\$ 8,217,342	\$ 8,124,322

The notes to consolidated financial statements are an integral part of these statements.

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses

For the year ended June 30, 2011

	Program Services	Administrative and General	Fundraising	2011
Amortization	\$ -	\$ 5,928	\$ -	\$ 5,928
Annuity interest	-	2,405	-	2,405
Bad debt	-	6,978	-	6,978
Bank charges	-	44,296	-	44,296
Banquet	135,904	-	-	135,904
Camps	24,000	-	-	24,000
Conference, seminars and meetings	3,021	12,950	8,361	24,332
Cultivation and acquisition	11,025	-	654,342	665,367
Depreciation	433,130	50,956	25,478	509,564
Educational	18,215	7,807	-	26,022
Equipment lease and maintenance	39,602	4,284	34,806	78,692
Food purchases	136,439	-	-	136,439
Insurance	64,973	27,846	-	92,819
Interest	134,810	19,772	25,165	179,747
Memberships and subscriptions	3,827	1,731	1,421	6,979
Loss on disposal of equipment	6,014	668	-	6,682
Newsletter expenses	135,936	-	-	135,936
Permits, licenses and taxes	2,744	-	-	2,744
Printing, postage and shipping	559	755	315	1,629
Professional and contractual services	47,843	66,770	141,440	256,053
Public awareness	116,594	-	19,759	136,353
Publications	864	-	-	864
Rent	49,862	-	-	49,862
Repairs and maintenance - building	83,349	12,456	-	95,805
Residents' allowance and assistance	15,523	-	-	15,523
Salaries and related expenses	1,777,537	210,879	279,669	2,268,085
Special events	2,535	-	10,154	12,689
Supplies	123,378	12,214	1,581	137,173
Telephone	23,752	8,587	3,516	35,855
Travel and entertainment	1,741	3,909	858	6,508
Utilities	212,390	12,085	24,942	249,417
Vehicles	38,360	498	-	38,858
Subtotal	3,643,927	513,774	1,231,807	5,389,508
Non-cash distributions:				
Donated merchandise distribution	532,467	-	-	532,467
Donated professional services distribution	546,998	-	-	546,998
Donated food distribution	1,655,349	-	-	1,655,349
Subtotal - Non-cash distributions	2,734,814	-	-	2,734,814
Total functional expenses	\$ 6,378,741	\$ 513,774	\$ 1,231,807	\$ 8,124,322

The notes to consolidated financial statements are an integral part of these statements.

Helping Up Mission, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended June 30,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in net assets	\$ 403,345	\$ 1,856,762
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization	7,033	5,928
Bad debt	212,429	6,978
Depreciation	522,077	509,564
Loss on disposal of property and equipment	79,433	6,682
Unrealized gain on investments	(34,228)	(160,025)
Gain on sale of investments	(341)	(245)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(156,974)	(37,707)
Grants receivable	(446,421)	(1,013)
Capital campaign pledges receivable	216,545	122,453
Prepaid expenses and other current assets	6,266	(24,966)
Deposits	-	(3,100)
(Decrease) increase in:		
Accounts payable	(15,240)	(155,222)
Accrued expenses and other current liabilities	36,190	22,114
Deferred grant revenue	(31,994)	80,000
Net cash provided by operating activities	<u>798,120</u>	<u>2,228,203</u>
Cash flows from investing activities:		
Purchase of investments	(239,869)	(86,906)
Proceeds from sale of investments	25,304	77,171
Purchase of property and equipment	(1,837,737)	(64,762)
Net cash used in investing activities	<u>(2,052,302)</u>	<u>(74,497)</u>
Cash flows from financing activities:		
Net proceeds received from lines of credit	500,090	-
Repayments - long-term debt	(116,844)	(2,348,645)
Loan acquisition costs paid	(26,518)	-
Payments on annuities payable	(6,277)	(5,919)
Net cash provided by (used in) financing activities	<u>350,451</u>	<u>(2,354,564)</u>
Net decrease in cash and cash equivalents	(903,731)	(200,858)
Cash and cash equivalents, beginning of year	<u>1,579,564</u>	<u>1,780,422</u>
Cash and cash equivalents, end of year	\$ 675,833	\$ 1,579,564

The notes to consolidated financial statements are an integral part of these statements.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

1. Nature of the Organizations and Summary of Significant Accounting Policies

Nature of the Organizations

Helping Up Mission, Inc. is a non-profit organization whose purpose is to educate and engage the public in providing help for the homeless through programs designed to meet unique physical, psychological, social and spiritual needs. The Organization operates primarily on funds received from the general public and program fees.

House of Freedom, Inc. is a non-profit organization whose purpose is to continue the work of the Helping Up Mission, Inc. by providing transitional housing, training, counseling, and other assistance to men who do not have permanent housing and are victims of substance abuse or the ill-effects of society in general in order to prepare them to become responsible and useful members of the community and society. The Organization operates primarily on funds received from program fees.

New Creations Staffing Solutions, Inc. is a non-profit organization whose purpose is to continue the work of Helping Up Mission, Inc. by providing mentoring, hiring, job placement and career counseling, without limitation to race, color, or creed, in order to prepare participants in the program to become responsible and useful members of the community and society. The Organization operates primarily on funds received from placement fees.

Principles of Consolidation

The consolidated financial statements of Helping Up Mission, Inc. and Subsidiaries include the accounts of Helping Up Mission, Inc., House of Freedom, Inc., and New Creations Staffing Solutions, Inc., hereinafter collectively referred to as "the Organizations". The Organizations are governed by the same Board of Directors. All material inter-organization transactions and balances have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Organizations have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

The Organizations are required to report information regarding their financial positions and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

1. Nature of the Organizations and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Unrestricted net assets – Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These assets are currently available to support the Organizations' operations.

Temporarily restricted net assets – Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organizations pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. As of June 30, 2012 and 2011, the Organizations had temporarily restricted net assets totaling \$26,453 and \$9,607, respectively.

Permanently restricted net assets – Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organizations' actions. As of June 30, 2012 and 2011, the Organizations had no permanently restricted net assets.

Cash and Cash Equivalents

The Organizations consider all short-term investments with an original maturity of three months or less to be a cash equivalent.

The Organizations, at times throughout the year, have (or may have had) funds on deposit with a financial institution in excess of federally insured amounts. The Organizations have not experienced any losses on cash accounts and management believes they are not exposed to significant credit risk on cash. Total cash and cash equivalents that were not covered by Federal Deposit Insurance Corporation insurance at June 30, 2012 and 2011 was \$294,348 and \$1,189,827, respectively.

Accounts Receivable, Credit Policies and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized obligations due for program fees related to overnight boarding and transportation services provided to various organizations, and service fees related to staffing graduates of the program. Payment is required within 30 days from the invoice date. Follow-up correspondence is made if unpaid accounts receivable go beyond 30 days. Statements for unpaid balances are not generated and delinquency fees are not assessed. Payments of accounts receivable are applied to the specific invoices identified on the remittance advice or, if unspecified, are applied to the oldest unpaid invoices.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

1. Nature of the Organizations and Summary of Significant Accounting Policies (continued)

Accounts Receivable, Credit Policies and Allowance for Doubtful Accounts (continued)

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflects management's best estimate of the amounts that may not be collected. Management individually reviews all accounts receivable balances that exceed the due date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that may not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. The Organizations have established an allowance for doubtful accounts of \$8,625 and \$12,874 at June 30, 2012 and 2011, respectively. Bad debt expense for the years ended June 30, 2012 and 2011 was \$42,429 and \$6,978, respectively. The balance of bad debt expense for the year ended June 30, 2012 included on the Statements of Functional Expenses related to an uncollectible capital campaign pledge receivable referenced in Note 2.

Financial Risk

The Organizations invest in a portfolio that contains mutual funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Fair Value Measurements

The Organizations have characterized its investments in securities and long-term capital campaign pledges based on the priority of inputs using the three-level fair value hierarchy in accordance with the provisions under generally accepted accounting principles. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investments. Marketable securities and long-term capital campaign pledges recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

Level 1 - These are assets where values are based on unadjusted quoted prices for identical assets in the active market the Organizations have the ability to access. All certificates of deposits and mutual funds currently held by the Organizations are considered to be level 1.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

1. Nature of the Organizations and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 2 - These are assets where values are based upon quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. The Organizations currently have no level 2 assets.

Level 3 - These are assets where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. The Organizations consider the long-term capital campaign pledges receivable to be level 3 assets.

Estimated fair value amounts have been determined using available market information and the valuation methodologies described below. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts the Organizations could realize in a current market. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying amounts of current receivables approximate fair value due to the short-term nature of these assets. The fair value for capital campaign pledges receivable is determined by calculating the present value of estimated future cash flows, using a 5.25% discount rate. The discount rate is determined by reference to the Organizations' borrowing rate and the Federal Rate in effect during the year.

Investments

Investment securities are carried at fair value based on quoted market prices. The change in net unrealized appreciation (depreciation) of marketable securities for the year is reflected in the Statements of Activities in "investment income." Realized gains and losses on sales of investments are computed on a specific identification basis and are recorded on the trade date of the transaction and are also included in "investment income."

Property and Equipment and Depreciation

Property and equipment are stated at cost if purchased, or fair market value if obtained through donation. The Organizations capitalize expenditures greater than or equal to \$1,000 that qualify as property and equipment. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	15 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 5 years

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

1. Nature of the Organizations and Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation (continued)

Depreciation expense was \$522,077 and \$509,564 for the years ended June 30, 2012 and 2011, respectively.

Intangible Assets

An intangible asset with a finite useful life is amortized based on its useful life to the reporting entity. An intangible asset with an indefinite useful life is not amortized; instead it is tested for impairment annually.

The Organizations' intangible assets consist of loan costs of \$56,156 and \$29,638 at June 30, 2012 and 2011, respectively. These costs are being amortized over the life of the related loans (60 months and 24 months) starting in 2009 and 2012, respectively, using the straight-line method. Amortization expense relating to these loan costs totaled \$7,033 and \$5,928 for the years ended June 30, 2012 and 2011, respectively. Amortization expense is expected to be \$19,187 for the year ended June 30, 2013, \$18,082 for the year ended June 30, 2014 and \$492 for the year ended June 30, 2015.

Restricted and Unrestricted Revenue

Contributions, pledges and grants are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organizations report contributions of cash and other assets (including grants) as restricted support if they are received with donor stipulations that limit the time period or manner of use of the contribution. These donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as "net assets released from restrictions".

Donated Materials and Services

In-kind donations consist of donated food, supplies, merchandise and professional services. These donations are recorded at their estimated fair value at the date of receipt. Donated food and merchandise distributions and professional service distribution equal the value of the donations. These expenses are recorded at the date of receipt due to the rapid turnover of donated items. Members of the Board of Directors and others have made significant contributions of their time and talents in development of the programs and fundraising operations of the Organizations. These services include medical care, counseling, education, legal and income tax preparation.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

1. Nature of the Organizations and Summary of Significant Accounting Policies (continued)

Income Taxes

The Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in these financial statements.

The Organizations account for income tax provisions in accordance with Financial Accounting Standards Board Accounting Standards Concept Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The Organizations believe that its income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves, or related accruals for interest and penalties, at June 30, 2012 and 2011 for uncertain income tax positions. The Organizations continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organizations have adopted a policy under which, if required to be recognized in the future, will classify interest related to the underpayment of income taxes as a component of interest expense, and will classify any related penalties in general and administrative expenses in the Consolidated Statements of Functional Expenses and Statements of Activities. With few exceptions, the Organizations are no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years ending before June 30, 2009.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain amounts from 2011 have been reclassified to conform to the 2012 presentation with no effect on previously reported net assets or changes in net assets.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

2. Capital Campaign Pledges Receivable

The Organizations conduct a capital campaign to raise funds to support the Organizations' purchase and renovation of new buildings to be used in future operations. The pledges are payable over a one to five year period. The total amount expected to be received at June 30, 2012 and 2011 is recorded at the present value of the expected future cash flows discounted at 5.25%.

Pledges receivable consist of the following at June 30:	<u>2012</u>	<u>2011</u>
Pledges receivable	\$ 278,800	\$ 521,800
Less: unamortized discount	<u>(25,803)</u>	<u>(52,258)</u>
Total	<u>\$ 252,997</u>	<u>\$ 469,542</u>

The total of pledges receivable is reflected in the Consolidated Statements of Financial Position as follows at June 30:

	<u>2012</u>	<u>2011</u>
Capital campaign pledges receivables - current	\$ 78,859	\$ 197,479
Capital campaign pledges receivables - noncurrent	<u>174,138</u>	<u>272,063</u>
	<u>\$ 252,997</u>	<u>\$ 469,542</u>
Amounts due in:		
Less than one year	\$ 83,100	\$ 208,100
One to five years	<u>195,700</u>	<u>313,700</u>
Total	<u>\$ 278,800</u>	<u>\$ 521,800</u>

Management evaluates the collectability of pledges receivable based on historical payment patterns and continued correspondence with donors. During 2012, one pledge totaling \$170,000 was deemed uncollectible by management. This amount has been included in "bad debt expense" in the accompanying financial statements. Management considers all other pledges to be fully collectible at June 30, 2012.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

3. Investments

Investments are recorded at fair value and consist of the following at June 30:

<u>2012</u>	<u>Cost</u>	<u>Net-Unrealized Appreciation</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 881,253</u>	<u>\$ 184,390</u>	<u>\$ 1,065,643</u>
<u>2011</u>	<u>Cost</u>	<u>Net-Unrealized Appreciation</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 666,747</u>	<u>\$ 150,162</u>	<u>\$ 816,909</u>

Investment income consists of the following for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 16,331	\$ 12,741
Gain on sale of investments	341	245
Change in unrealized appreciation on investments	<u>34,228</u>	<u>160,025</u>
Total return on investments	<u>\$ 50,900</u>	<u>\$ 173,011</u>

The total of investment income is reflected in the Statements of Activities as follows:

	<u>2012</u>	<u>2011</u>
Non-operating support - Investment income	<u>\$ 50,900</u>	<u>\$ 173,011</u>

An investment may be considered to be impaired if its cost basis exceeds its fair value thus resulting in unrealized depreciation. Investments are reported at their fair market value, thus any impairment losses have already been recognized through unrealized gains or losses in the Consolidated Statements of Activities. Management considers any investment portfolio losses to be temporary.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

4. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 1,065,643	\$ 1,065,643	\$ -
Certificates of deposit	51,651	51,651	-
Pledges receivable	<u>252,997</u>	<u>-</u>	<u>252,997</u>
Total assets	<u>\$ 1,370,291</u>	<u>\$ 1,117,294</u>	<u>\$ 252,997</u>

The table below presents information about the change in the pledges receivable (level 3), which is measured at fair value on a recurring basis using significant unobservable inputs:

Balance, July 1, 2011	\$ 469,542
Decrease in discount on pledges receivable	26,455
Bad debt	(170,000)
Receipts from pledges	<u>(73,000)</u>
Balance, June 30, 2012	<u>\$ 252,997</u>

The decrease of the discount on pledges receivable is included with temporarily restricted "contributions, pledges and grants" on the Consolidated Statements of Activities.

5. Lines of Credit

Helping Up Mission, Inc. has an available line of credit authorized to \$500,000 with interest computed on the aggregate unpaid balance based on the prime rate as published in the money rates section of *The Wall Street Journal* at an initial rate of 4% per annum. There was \$179,874 and \$-0- outstanding on this line of credit at June 30, 2012 and 2011, respectively.

Helping Up Mission, Inc. also obtained an equipment line of credit authorized to \$100,000. Draws under this line will be supported by individual notes for a term not to exceed 60 months and bear interest at 275 basis points over the U.S. Treasury rate when they become notes. There were two equipment loans outstanding as of June 30, 2011, as described in Note 6. These equipment loans were paid off during the year ended June 30, 2012. The amount available under this line of credit was \$100,000 and \$85,656 at June 30, 2012 and 2011, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

5. Lines of Credit (continued)

Helping Up Mission, Inc. also has an available line of credit authorized to \$1,300,000 with interest computed on the aggregate unpaid balance based on the prime rate as published in the money rates section of *The Wall Street Journal* at an initial rate of 4% per annum. Beginning July 1, 2013, Helping Up Mission, Inc. is required to repay the balance outstanding in twelve consecutive monthly installments of principal and interest, based on a twenty-five year amortization schedule. The entire unpaid principal balance, plus any unpaid accrued interest is due upon the maturity date on June 1, 2014. Beginning on July 1, 2013, the interest rate specified in the loan agreement increases to a fixed rate equal to 275 basis points over the 5 year Treasury Rate per annum, with a floor of 5.5%. There was \$320,216 and \$-0- outstanding on this line of credit at June 30, 2012 and 2011, respectively. A portion of this line of credit has been included as long-term liabilities due to the payment schedule noted above.

6. Long-Term Debt

The details of long-term debt are as follows at June 30:

	<u>2012</u>	<u>2011</u>
Construction / term loan	\$ 614,095	\$ 692,560
Mortgages	1,335,813	1,359,848
Vans	-	14,344
	<u>1,949,908</u>	<u>2,066,752</u>
Less: current maturities	<u>110,128</u>	<u>112,859</u>
Total long-term debt	<u>\$ 1,839,780</u>	<u>\$ 1,953,893</u>

Helping Up Mission, Inc. obtained a loan with Farmers & Merchants Bank in October 2003 for \$1,400,000, to be drawn as necessary, to provide additional financing for renovations to 1017 East Baltimore Street. House of Freedom, Inc. is a guarantor on this loan. Interest-only payments at 5.75% were made on any outstanding borrowings through April 2005. Beginning on May 2, 2005, seventy-eight monthly installments of principal and interest are required totaling \$6,837, based on a 30-year amortization. During March 2010 the note was refinanced over a sixty month period at an interest rate of 6.75%. Beginning on April 2, 2010 monthly installments of principal and interest are required totaling \$9,609, with the unpaid principal balance of the loan due in March 2015. A security interest on 1017 East Baltimore Street secures this debt. The outstanding loan balance was \$1,335,813 and \$1,359,848 at June 30, 2012 and 2011, respectively.

In December 2007, Helping Up Mission, Inc. purchased a van with financing of \$23,341 from Susquehanna Bank. The note requires monthly principal and interest payments of \$555 with a stated rate of interest of 6.55% maturing December 2011. The vehicle collateralizes this note. The Mission paid off this debt during the year ended June 30, 2012. The outstanding balance on this loan was \$3,261 at June 30, 2011.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

6. Long-Term Debt (continued)

In February 2008, Helping Up Mission, Inc. purchased a van with financing of \$29,948 from Susquehanna Bank. The note requires monthly principal and interest payments of \$587 with a stated rate of interest of 6.5% maturing February 2013. The vehicle collateralizes this note. The Mission paid off this debt during the year ended June 30, 2012. The outstanding balance on this loan was \$11,083 at June 30, 2011.

In July 2009, Helping Up Mission, Inc. entered into a construction loan with Susquehanna Bank not to exceed \$4,000,000 for renovations to be made at 1027-1029 East Baltimore Street. The proceeds of the loan can be advanced from time to time upon the Borrower's request during the construction period (through September 30, 2010). Payments of interest only at a floating rate equal to the Prime Rate, with a floor of 4% were due through September 30, 2010. Beginning on October 1, 2010, sixty monthly principal and interest payments of \$10,198 are required under the loan agreement, using a 25 year amortization schedule, with all unpaid principal and interest due and payable on September 1, 2015. Beginning October 1, 2010, the interest rate is equal to 275 basis points over the five-year Treasury Rate as published in the Wall Street Journal, with a floor of 6.6%. The loan contains certain financial covenants which were met as of June 30, 2012 and 2011, respectively. The outstanding balance on this loan was \$614,095 and \$692,560 at June 30, 2012 and 2011, respectively.

Future minimum principal payments for long-term debt are as follows:

Years Ending June 30,	Amount
2013	\$ 110,128
2014	117,663
2015	1,378,898
2016	343,219
Total	<u>\$ 1,949,908</u>

Combined interest expense on the long-term debt and lines of credit was \$135,771 and \$179,747 for the years ended June 30, 2012 and 2011, respectively on this debt.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

7. Annuities Payable

Helping Up Mission, Inc. has entered into four agreements to provide periodic payments to two individuals during the remainder of their lives in return for a charitable gift to Helping Up Mission, Inc. The aggregate annual payments on these annuity obligations at June 30, 2012 are \$29,004. A portion of the gift represents an obligation by Helping Up Mission, Inc. to make the annual payments (recorded at present value based on the donor's life expectancy and market interest rates at the time the gift was received) and the remainder represents a contribution. At June 30, 2012 and 2011, Helping Up Mission, Inc. has sufficient reserves to fund these obligations.

Future minimum principal payments for annuities are as follows:

Years Ending June 30,	Amount
2013	\$ 6,659
2014	7,063
2015	7,492
2016	5,971
2017	1,819
Total	<u>\$ 29,004</u>

Interest expense related to annuities payable totaled \$2,048 and \$2,405 for the years ended June 30, 2012 and 2011, respectively.

8. Program Fees

Program fees consist of the following for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Lodging	\$ 1,064,720	\$ 911,533
Food stamps	324,476	355,852
Temporary disability assistance	269,519	315,867
	<u>\$ 1,658,715</u>	<u>\$ 1,583,252</u>

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

9. Rental Income

A small portion of Helping Up Mission, Inc. and Subsidiaries office space is leased to outside tenants under non-cancelable operating leases. The leases have combined monthly rental payments of \$3,571 and expire at various times during the year ended June 30, 2013. The leases include provisions for automatic renewal unless written notice is provided to the other party ninety days before the renewal date. The minimum future rental amounts from outside tenants based on non-cancelable leases as of June 30, 2012 are \$14,934.

10. Commitments

Operating Leases

Helping Up Mission, Inc. entered into an operating lease agreement in June 2010 for various office equipment. The lease has a term of five years and provides for base monthly rentals of \$2,341, with certain provisions for additional amounts due depending on total usage of the associated equipment.

Total payments under this equipment lease for the years ended June 30, 2012 and 2011 were \$50,743 and \$42,109, respectively. These amounts have been included in "equipment lease and maintenance" in the accompanying Consolidated Statements of Functional Expenses.

In February 2009, Helping Up Mission, Inc. entered into an operating lease agreement for a townhouse in Baltimore City for the "3/4 Housing Program". The program provides for Helping Up Mission, Inc. to lease the townhouse from the landlord and in turn rent it to program graduates who live independently. This is a one year lease with an option to renew for a period of up to five years. In March 2010, the Organization exercised its option to renew. Base monthly rent is \$3,700 with no annual escalation in future years.

In May 2011, Helping Up Mission, Inc. entered into an operating lease agreement for another townhouse in Baltimore City for the "3/4 Housing Program". This is a 46 month lease with an option to renew for a period of up to five years. Base monthly rent is \$3,100 with no annual escalation in future years.

Total payments under these townhouse lease arrangements for the years ended June 30, 2012 and 2011 were \$81,600 and \$49,862, respectively.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

10. Commitments (continued)

Operating Leases (continued)

The aggregate minimum future rental payments under the above non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2012 are as follows:

Years Ending June 30,	Amount
2013	\$ 109,692
2014	109,692
2015	72,305
Total	<u>\$ 291,689</u>

Accumulated Vacation

Employees of Helping Up Mission, Inc. earn a vested right to compensation for unused vacation. Accordingly, Helping Up Mission, Inc. has made an accrual for vacation compensation that employees have earned but not taken. Accrued vacation totaled \$75,991 and \$66,510 at June 30, 2012 and 2011, respectively, and is included in the balance of "accrued expenses" on the Consolidated Statements of Financial Position.

Building and Equipment Contracts

During the year ended June 30, 2010, the Organizations began plans for renovations to 1031 E. Baltimore Street. The Organizations entered into a contract for renovations during the year ended June 30, 2011. Construction in Progress totaled \$1,870,845 and \$81,313 at June 30, 2012 and 2011, respectively, related to this project. Management anticipates that construction will finish and the building will be placed in service during the year ended June 30, 2013.

State Grants

In September 2011, House of Freedom, Inc. was awarded a grant from The Department of Housing and Community Development in the amount of \$740,838. The grant is to be used for the construction, repair, renovation and capital equipping of 1031 East Baltimore Street. The Organizations must use this building as a shelter, transitional or other housing facility for the homeless, for a period of not less than fifteen years (through 2027). If the properties are sold, transferred, or not used for the specified purpose prior to the year 2027, House of Freedom, Inc. must repay the grant in full. House of Freedom, Inc. has recognized revenue under this grant of \$666,754 during the year ended June 30, 2012.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

10. Commitments (continued)

State Grants (continued)

Helping Up Mission, Inc. was also awarded a grant from the State of Maryland, Board of Public Works for an amount not to exceed \$200,000, provided Helping Up Mission meets certain matching requirements. The grant is to be used for the construction, repair and renovation of 1031 East Baltimore Street. Under the terms of the agreement, Helping Up Mission may not sell, lease, exchange or give away any interest in the real or personal property acquired with the grant funds without prior written consent of the Board of Public Works. If the Board of Public Works permits the transfer or disposition, Helping Up Mission may be required to repay the State the percentage of the proceeds allocable to the grant. Helping Up Mission recognized revenue under this grant of \$200,000 during the year ended June 30, 2012.

11. Temporarily Restricted Net Assets

Helping Up Mission, Inc. solicits funds to support the costs of purchasing and renovating various buildings. Total contributions and pledges generated from these activities during 2012 and 2011 totaled \$866,754 and \$1,757,350, respectively, and were classified as “temporarily restricted net assets” in the Consolidated Statements of Activities. Other temporarily restricted net assets represent funds received for various medical and other needs of program members. As of June 30, 2012 and 2011, there were no unexpended costs relating to purchasing and renovating various buildings. Temporarily restricted net assets represents funds received for various medical and other needs of program members at June 30, 2012 and 2011.

12. Supplemental Disclosure of Cash Flow Information

Cash paid for interest totaled \$135,771 and \$179,747 for the years ended June 30, 2012 and 2011, respectively.

During the years ended June 30, 2012 and 2011, the Organization received \$24,964 and \$76,926 of stock donations. For the years ended June 30, 2012 and 2011, the donations were included in the “Support and Revenue” section of the Consolidated Statements of Activities.

13. Conditional Promise to Give

In August 2007, Helping Up Mission, Inc. was awarded a conditional promise to give from The Harry and Jeanette Weinberg Foundation in the amount of \$1,500,000. The grant is to be used to support capital costs for the renovations to buildings which serve as emergency shelter, transitional housing, and school for homeless men in Baltimore City. The grant provides for four installments of \$375,000 each, on the condition that Helping Up Mission raise \$750,000 prior to each installment. During the year ended June 30, 2011, the Organization raised enough funds to qualify for the third and fourth (final) installments of the grant, which were received in December 2010 and February 2011.

Helping Up Mission, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

13. Conditional Promise to Give (continued)

Under the terms of the grant agreement, Helping Up Mission must have prior approval from The Harry and Jeanette Weinberg Foundation to sell or transfer ownership of the property through the year 2031. The proceeds received from any sale must be used for the construction or purchase of a replacement property.

In December 2008, Helping Up Mission, Inc. was awarded a conditional promise to give from FHLBank Atlanta, a Federal Home Loan Bank, in the amount of \$1,000,000. The grant is to be used to support capital costs for the renovations to 1029 East Baltimore Street which will house a new chapel, overnight emergency services with beds for 60 men, classrooms and a library for homeless men in Baltimore City. The grant provides for payment in full on the conditions that the Organization complete construction at 1029 E. Baltimore Street and that 100% of ownership units and 75% of the assisted rental units must be occupied. The grant must be repaid if Helping Up Mission, Inc. is not in compliance with the terms of the application, which includes the use of the building for the services noted above for a period of fifteen years, expiring in 2026. For the year ended June 30, 2011, Helping Up Mission, Inc. met all requirements under this agreement and the grant was paid in full in August 2010.

In December 2010, Helping Up Mission, Inc. was awarded another conditional promise to give from FHLBank Atlanta in the amount of \$1,000,000. The grant is to be used to support capital costs for the renovations to 1031 East Baltimore Street. The grant provides for payment in full on the conditions that the Organization complete construction at 1031 E. Baltimore Street and that 100% of ownership units and 75% of the assisted rental units must be occupied. The grant must be repaid if Helping Up Mission, Inc. is not in compliance with the terms of the application, which includes the use of the building for the services noted above for a period of fifteen years, expiring in 2028. For the year ended June 30, 2012, Helping Up Mission, Inc. had not yet met all requirements under this agreement and accordingly, no revenue related to this grant has been recorded for the year ended June 30, 2012.

14. Retirement Plan

Helping Up Mission, Inc. sponsors and contributes to an employee Simple IRA plan. Contributions to this Plan totaled \$27,870 and \$24,210 for the years ended June 30, 2012 and 2011, respectively.

15. Subsequent Events

Subsequent to year end, Helping Up Mission met the requirements related to the FHLBank Atlanta grant described in Note 13. The Organization recognized revenue of \$1,000,000 subsequent to year end.

In addition, New Creations Staffing Solutions, Inc. ceased operations effective July 31, 2012.

Subsequent events were evaluated through October 31, 2012, the date the financial statements were available to be issued.