

**HARVEST USA
FINANCIAL REPORT
JUNE 30, 2021**

**HARVEST USA
JUNE 30, 2021**

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WENTZEL and COMPANY, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Harvest USA**

We have audited the accompanying financial statements of Harvest USA (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 financial position of Harvest USA as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Harvest USA's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wentzel and Company, PC

**Fleetwood, Pennsylvania
October 26, 2021**

HARVEST USA
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE INFORMATION
AS OF JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and Cash Equivalents	\$ 525,037	\$ 685,445
Investments	1,245,238	395,198
Accounts Receivable	1,134	74
Inventory	12,269	8,348
Deposits and Prepaid Expenses	23,304	35,171
Property and Equipment	29,128	39,125
	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,836,110	\$ 1,163,361
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES:		
Accounts Payable	\$ 23,452	\$ 3,852
Accrued Expenses	59,660	69,602
Other Liability	8,723	8,723
	<hr/>	<hr/>
TOTAL LIABILITIES	91,835	82,177
	<hr/>	<hr/>
NET ASSETS:		
Without Donor Restrictions	1,228,493	649,476
With Donor Restrictions	515,782	431,708
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TOTAL NET ASSETS	1,744,275	1,081,184
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 1,836,110	\$ 1,163,361
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See notes to the financial statements.

HARVEST USA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
Revenues and Support:				
Contributions	\$ 1,190,207	\$ 748,474	\$ 1,938,681	\$ 1,853,183
Government Grants			0	219,060
Programs and Seminars	12,361		12,361	28,890
Royalty Income	6,142		6,142	9,541
Investment Return, net	86,047		86,047	(20,839)
Other Income			0	8,494
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	664,400	(664,400)	0	0
Total Revenues and Support	<u>1,959,157</u>	<u>84,074</u>	<u>2,043,231</u>	<u>2,098,329</u>
Expenses:				
Program	758,407		758,407	835,038
General and Administrative	337,994		337,994	369,243
Fundraising (Development)	283,739		283,739	300,996
Total Expenses	<u>1,380,140</u>	<u>0</u>	<u>1,380,140</u>	<u>1,505,277</u>
Change in Net Assets	579,017	84,074	663,091	593,052
Net Assets, Beginning of Year	<u>649,476</u>	<u>431,708</u>	<u>1,081,184</u>	<u>488,132</u>
Net Assets, End of Year	<u>\$ 1,228,493</u>	<u>\$ 515,782</u>	<u>\$ 1,744,275</u>	<u>\$ 1,081,184</u>

See notes to the financial statements.

HARVEST USA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 663,091	\$ 593,052
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided (Used) By Operating Activities:		
Donated Investments	(13,993)	(31,487)
Depreciation	15,912	16,292
Net Realized and Unrealized (Gains) Losses	(70,670)	24,750
(Increase) Decrease in Accounts Receivable	(1,060)	3,786
(Increase) Decrease in Inventory	(3,921)	2,374
(Increase) Decrease in Deposits and Prepaid Expenses	11,867	(13,120)
Increase (Decrease) in Accounts Payable	19,600	(12,526)
Increase (Decrease) in Accrued Expenses	(9,942)	(6,990)
Increase (Decrease) in Advance Royalties	0	(1,500)
Increase (Decrease) in Other Liability	0	(816)
Total Adjustments	(52,207)	(19,237)
Net Cash Provided (Used) By Operating Activities	610,884	573,815
Cash Flows From Investing Activities:		
Purchases of Property and Equipment	(5,915)	0
Proceeds From Sales of Investments	438,577	294,841
Purchases of Investments	(1,203,954)	(398,751)
Net Cash Provided (Used) By Investing Activities	(771,292)	(103,910)
Net Increase (Decrease) in Cash and Cash Equivalents	(160,408)	469,905
Cash and Cash Equivalents at Beginning of Year	685,445	215,540
Cash and Cash Equivalents at End of Year	\$ 525,037	\$ 685,445
Supplemental Disclosures:		
Donated Investments	\$ 13,993	\$ 31,487

See notes to the financial statements.

HARVEST USA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONAL EXPENSES:	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>2021 TOTALS</u>	<u>2020 TOTALS</u>
Salaries	\$ 458,705	\$ 151,726	\$ 154,720	\$ 765,151	\$ 908,250
Retirement	14,246	4,218	4,834	23,298	7,409
Employee Benefits	81,132	23,342	33,160	137,634	153,920
Payroll Taxes	36,484	12,957	11,610	61,051	65,231
Accounting and Legal	353	19,056		19,409	19,365
Bank and Credit Card Fees		11,415		11,415	11,407
Biblical Support Group Expenses	774			774	2,447
Business Insurance	4,668	2,001	1,333	8,002	8,725
Charitable Solicitation Fees			5,777	5,777	5,525
Conferences and Meetings	731	1,912	4,364	7,007	4,064
Consulting	10,840	1,750	4,399	16,989	10,257
Depreciation	9,282	3,978	2,652	15,912	16,292
Dues and Subscriptions	3,268	6,386	2,525	12,179	15,699
Equipment Rental and Maintenance	7,124	4,070	1,967	13,161	12,305
Marketing	2,188	150		2,338	4,675
Miscellaneous	976	546	7,480	9,002	10,868
Occupancy	86,558	39,060	22,811	148,429	144,555
Office Expense	1,805	2,581	622	5,008	10,266
Office Phone and Internet	4,984	5,848	2,758	13,590	16,346
Postage and Shipping	439	3,669	1,056	5,164	8,440
Printing and Publications	15,166	2,821	19,229	37,216	39,472
Recruiting Expenses		35,969		35,969	0
Staff Professional Development	512	135		647	674
Supplies	13,613			13,613	9,169
Travel	1,227	2,750	1,582	5,559	12,602
Volunteers	288	151		439	133
Website Updates and Maintenance	3,044	1,503	860	5,407	7,181
TOTAL EXPENSES - 2021	\$ 758,407	\$ 337,994	\$ 283,739	\$ 1,380,140	
TOTAL EXPENSES - 2020	\$ 835,038	\$ 369,243	\$ 300,996		\$ 1,505,277

See notes to the financial statements.

HARVEST USA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. HISTORY AND PURPOSE

Harvest USA was incorporated on February 5, 1992, in the Commonwealth of Pennsylvania. The Organization provides direct ministry support for individuals struggling with sexual addictions and provides educational resources to churches to help sexual strugglers. The ministry also offers spiritual and emotional support to families and friends affected by these issues.

Harvest USA is based in Dresher, Pennsylvania, and also maintains a branch office in Pittsburgh, Pennsylvania.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advertising Costs

The policy of Harvest USA is to expense all advertising costs at the time they are incurred.

Basis of Accounting

The financial statements of Harvest USA have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958. Under ASC No. 958, the organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

HARVEST USA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, however, amounts held temporarily in such accounts by independent investment managers are reported as investments.

Donated Materials and Services

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require special skills, and are provided by individuals possessing such specialized skills. No amounts have been recognized for the value of contributed services in the current fiscal year.

Expense Allocation

Administration and general expenses include those expenses for supporting activities of the Organization that are not directly identifiable with one or more program or fundraising activities. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Those expenses include salaries, employee benefits, payroll taxes, business insurance, depreciation, equipment rental and maintenance, occupancy, office expense, office phone and internet, and website updates and maintenance. Salaries, employee benefits and payroll taxes are allocated based on estimates of time and effort; business insurance, depreciation, equipment rental and maintenance, occupancy, office expense, office phone and internet, and website updates and maintenance are allocated based on estimates of usage.

Fair Value Measurements

Harvest USA follows the provisions of ASC No. 820, Fair Value Measurements and Disclosures (“ASC 820”). ASC 820 does not require additional fair value measurements, but defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements.

HARVEST USA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Income Tax Status

The Organization is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

ASC No. 740 Income Taxes ("ASC 740") clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

There were no uncertain income tax positions identified that would have a material effect on the financial statements for the year ended June 30, 2021. With few exceptions, the Organization is no longer subject to federal or state income tax examinations by tax authorities for years before 2017 and there are no known examinations in progress as of the audit report date.

Inventory

Inventory consists of books and educational resources offered for sale on the Harvest USA website. They are valued at the lower of cost or market on an average cost basis.

Investments

Investments include investments in U.S. and other government securities, corporate obligations and equities, and funds held in money market accounts by external investment managers. Securities are recorded at fair value with both realized and unrealized gains and losses recorded in the Statement of Activities.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

HARVEST USA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost, or if donated, at fair market value at the date of the gift. The Organization's capitalization policy is to capitalize property and equipment when the cost exceeds \$3,000. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. CASH AND CASH EQUIVALENTS

At June 30, 2021 cash and cash equivalents is composed of:

Petty Cash	\$ 939
Demand deposits	<u>524,098</u>
Total	\$ <u>525,037</u>

4. INVESTMENTS

At June 30, 2021 investments consist of:

Money Market Funds	\$ 21,013
Notes and Bonds	80,949
Exchange-Traded Funds	482,169
Mutual Funds	<u>661,107</u>
Total	\$ <u>1,245,238</u>

HARVEST USA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets consist of cash and cash equivalents, investments, and accounts receivable. The below reflects Harvest USA's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year-end:	
Cash and cash equivalents	\$ 525,037
Investments	1,245,238
Accounts receivable	<u>1,134</u>
Total financial assets	\$ 1,771,409
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restrictions	<u>(515,782)</u>
Financial assets available to meet cash needs	
for general expenditures within one year	\$ <u>1,255,627</u>

The Organization sets a goal of having financial assets on hand to meet 90 days of normal operating expenses, which are, on average, around \$300,000. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organization also invests its cash in excess of its daily needs in short-term investments. To manage liquidity, the Organization maintains a corporate credit card account with a \$25,000 credit limit.

6. PROPERTY AND EQUIPMENT

At June 30, 2021 the property and equipment and accumulated depreciation accounts consist of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	\$ 17,600	\$ 12,362	\$ 5,238
Equipment	95,395	79,870	15,525
Website	34,000	34,000	0
Furniture	<u>51,562</u>	<u>43,197</u>	<u>8,365</u>
Totals	\$ <u>198,557</u>	\$ <u>169,429</u>	\$ <u>29,128</u>

Depreciation expense for the year ended June 30, 2021 was \$15,912.

HARVEST USA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to the following purpose or time restrictions:

Subject to purpose restrictions:

Internship and Staff Support	\$ 665
Men's Ministry	121,420
Women's Ministry	208,662
Parent's and Family Ministry	11,671
Campus and Youth Ministry	23,185
Pittsburgh Office	105,039
Staff Retreat	537
Development Projects	223
Website Upgrade	<u>44,380</u>
Total net assets with donor restrictions	\$ <u>515,782</u>

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors.

Purposes for which restrictions were accomplished:

Internship and Staff Support	\$ 181,673
Men's Ministry	134,018
Women's Ministry	178,577
Parent's and Family Ministry	66,963
Campus and Youth Ministry	102
Pittsburgh Office	40,067
Facilities	60,000
President Search	<u>3,000</u>
Total restrictions released	\$ <u>664,400</u>

HARVEST USA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

9. RETIREMENT PLAN

The Organization provides retirement benefits to its employees through a 403(b) deferred salary savings plan. Employees working more than twenty hours per week are eligible to participate in the plan upon satisfaction of the eligibility requirements. Pursuant to this plan, employees may contribute an amount of their compensation subject to federal government limitations. Employer contributions to the plan are discretionary. The current employer contribution rate is 3.25% of each participant's compensation. For the year ended June 30, 2021, total retirement contributions made by the Organization were \$23,298.

10. OPERATING LEASES

The Organization's Dresher Office leases its office space under a ten-year lease effective August 1, 2016. The lease requires payments of \$10,035 per month, with annual increases.

The Organization leases its Pittsburgh facility under the terms of a three-year operating lease effective September 1, 2018, with a subsequent one-year extension. The lease requires payments of \$880 per month.

The Organization also has a noncancellable operating lease for office equipment which expires January, 2024.

Future minimum obligations under the operating leases are as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2022	\$ 136,654
2023	130,000
2024	129,202
2025	129,723
2026	132,345
thereafter	<u>33,251</u>
Total Future Minimum Lease Payments	\$ <u>691,175</u>

Rent expense on the office leases totaled \$130,338 for the year ended June 30, 2021.

Office equipment rental expense totaled \$6,708 for the year ended June 30, 2021.

HARVEST USA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

11. COVID-19

The Organization was affected by the outbreak of the novel coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. Management took steps to minimize program disruptions caused by closures and travel restrictions. The direct ministry programs were able to pivot to online ministry with relative ease and minimal impact, and they continue to operate primarily online. Although the equipping ministry had to cease in-person events for a while, these activities have now resumed. Financial impact on the Organization has been minimal.

12. CONCENTRATIONS OF RISK

Deposits with Financial Institutions

The Organization maintains its cash balances in financial institutions and occasionally the balances aggregate to amounts which exceed the federally insured limits. Accordingly, those balances would have been at risk of loss in the event of nonperformance by the institutions. The subject financial institutions are banks and management of the Organization does not anticipate any nonperformance. At June 30, 2021 the amount of uninsured funds totaled \$259,006.

Sources of Funds

Contributions and grants are received from many individuals, foundations and church organizations throughout North America. During the current fiscal year, the largest donor represented approximately 12% of total contributions.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 26, 2021. This is the date these financial statements were available to be issued.

HARVEST USA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

14. FAIR VALUE MEASUREMENTS

The Organization adopted ASC 820 as discussed in Note 2. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based upon assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The following table presents information as of June 30, 2021, about the Organization's financial assets that are measured at fair value on a recurring basis, according to the valuation techniques used to determine their fair values.

	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Other Unobservable Inputs <u>(Level 3)</u>	Total Fair Value
Assets				
Money Market Funds	\$ 21,013	\$ 0	\$ 0	\$ 21,013
Notes and Bonds	80,949	0	0	80,949
Exchange-Traded Funds				
Fixed Income	110,641	0	0	110,641
Equities	350,668	0	0	350,668
Other	20,860	0	0	20,860
Mutual Funds				
Fixed Income	358,228	0	0	358,228
Equities	202,777	0	0	202,777
Other	<u>100,102</u>	<u>0</u>	<u>0</u>	<u>100,102</u>
Total Assets at Fair Value	\$ <u>1,245,238</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1,245,238</u>