EPISCOPAL MINISTRIES OF THE DIOCESE OF BETHLEHEM, INC.
(A Not-for-Profit Corporation)

Consolidated Financial Statements, Independent Auditor's Report, and Supplementary Information

December 31, 2016

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103

EPISCOPAL MINISTRIES OF THE DIOCESE OF BETHLEHEM, INC.
(A Not-for-Profit Corporation)
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Episcopal Ministries of the Diocese of Bethlehem, Inc.
Bethlehem, PA

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Episcopal Ministries of the Diocese of Bethlehem, Inc. (A Not-for-Profit Corporation) and affiliate which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Episcopal Ministries of the Diocese of Bethlehem, Inc. and affiliate as of December 31, 2016, and the consolidated changes in their net assets and their 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 Episcopal Ministries of the Diocese of Bethlehem, Inc.'s consolidated financial statements, and our report dated March 10, 2016 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report date March 8, 2017 on our consideration of Episcopal Ministries of the Diocese of Bethlehem, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Episcopal Ministries of the Diocese of Bethlehem, Inc.'s internal control over financial reporting and compliance.

Campbell, Rappold & Yurasits LLP

March 8, 2017

EPISCOPAL MINISTRIES OF THE DIOCESE OF BETHLEHEM, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2016 with Summarized Totals for 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals	2015 Totals
ASSETS:					
Cash and Cash Equivalents	$ 59,682	$ 268,995	$ -	$ 328,677	$ 330,888
Client Escrow Deposits (Note 8)	103,305	-	-	103,305	111,773
Restricted Deposits	31,419	-	-	31,419	30,350
Accounts Receivable (Net of $1,000 Allowance in 2016 and 2015)	105,507	-	-	105,507	45,383
Promises to Give (Note 3)	-	63,875	-	63,875	-
Prepaid Expenses	5,318	-	-	5,318	13,690
Investments (Note 5)	-	62,807	634,184	696,991	631,576
Property and Equipment (Note 4)	1,621,354	-	-	1,621,354	1,569,889
TOTAL ASSETS	$ 1,926,585	$ 395,677	$ 634,184	$ 2,956,446	$ 2,733,549
LIABILITES AND NET ASSETS:					
LIABILITIES:					
Accounts Payable - Trade	$ 34,894	$ -	$ -	34,894	$ 41,942
Accrued Salaries and Payroll Taxes	36,553	-	-	36,553	32,977
Prepaid Rent	101	-	-	101	-
Client Escrow Accounts (Note 8)	103,305	-	-	103,305	111,773
Line of Credit (Note 15)	10,400	-	-	10,400	11,400
Notes Payable (Note 7)	582,417	-	-	582,417	631,168
TOTAL LIABILITIES	767,670	-	-	767,670	829,260
NET ASSETS:					
Undesignated	$ 309,082	$ -	$ -	309,082	$ 237,107
Endowment Deficit (Note 6)	-	-	-	-	(6,020)
Invested in Property and Equipment	849,833	-	-	849,833	728,249
Board Designated for Capital Improvements	-	-	-	-	27,440
Temporarily Restricted (Note 11)	-	395,677	-	395,677	283,329
Permanently Restricted (Note 11)	-	-	634,184	634,184	634,184
TOTAL NET ASSETS	1,158,915	395,677	634,184	2,188,776	1,904,289
TOTAL LIABILITIES AND NET ASSETS	$ 1,926,585	$ 395,677	$ 634,184	$ 2,956,446	$ 2,733,549

See independent auditor's report and notes to financial statements.

EPISCOPAL MINISTRIES OF THE DIOCESE OF BETHLEHEM, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016
with Summarized Totals for the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended 12/31/2016 Totals	Year Ended 12/31/2015 Totals
Revenues					
Contributions	$ 443,825	$ 63,875	$ -	$ 507,700	$ 417,707
United Way Allocation	40,000	-	-	40,000	40,990
Governmental Support	268,240	-	-	268,240	182,802
Restoration House-HUD Funding	110,532	-	-	110,532	108,057
Program Service Fees	286,628	-	-	286,628	282,797
Investment Income	1,032	-	-	1,032	258
Special Events	232,811	-	-	232,811	180,171
In-Kind Contributions	512,564	-	-	512,564	431,693
Miscellaneous Income	4,338	-	-	4,338	3,247
Net Assets Released from Restrictions	10,772	-	-	10,772	200
Total Revenue	1,910,742	63,875	-	1,974,617	1,647,922
Expenses					
Program Services					
Transitional and Other Housing	257,933	-	-	257,933	244,677
Single Room Occupancy	111,103	-	-	111,103	104,113
Hospitality Center	758,201	-	-	758,201	675,013
Restoration House	181,147	-	-	181,147	187,982
Wyandotte Apartments	91,712	-	-	91,712	91,244
Community Help Partnership	128,326	-	-	128,326	127,180
Grace House	46,117	-	-	46,117	46,441
Representative Payee	112,471	-	-	112,471	108,116
Supporting Services					
Management and General	111,272	-	-	111,272	109,321
Development	137,188	-	-	137,188	107,997
Total Operating Expenses	1,935,470	-	-	1,935,470	1,802,084
Change in Net Assets from Operations	(24,728)	63,875	-	39,147	(154,162)
Other Changes in Net Assets					
Net Assets Released From Restrictions for Capital Improvements	62,650	(62,650)	-	-	-
Net Assets Released From Restrictions for Operating Purposes	-	(10,772)	-	(10,772)	(200)
Contributions to Endowment	-	-	-	-	27,200
Governmental Support for Capital Improvements	123,327	-	-	123,327	-
Contributions for Capital Improvements	-	62,500	-	62,500	207,128
Realized/Unrealized Gain (Loss) on Investments	10,890	59,395	-	70,285	(38,440)
Total Other Changes	196,867	48,473	-	245,340	195,688
Increase in Net Assets	172,139	112,348	-	284,487	41,526
Net Assets at Beginning of Year	986,776	283,329	634,184	1,904,289	1,862,763
Net Assets at End of Year	$ 1,158,915	$ 395,677	$ 634,184	$ 2,188,776	$ 1,904,289

See independent auditor's report and notes to financial statements.

EPISCOPAL MINISTRIES OF THE DIOCESE OF BETHLEHEM, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
with Summarized Totals for the Year Ended December 31, 2015

	2016		2015	
Cash Flows from Operating Activities:				
Change in Net Assets		$ 284,487		$ 41,526
Adjustments to Reconcile Change in				
Net Assets to Net Cash Provided (Used)				
by Operating Activities:				
Depreciation	$ 154,592		$ 147,078	
Forgiveness of Debt	(28,162)		(27,048)	
(Increase) Decrease in Assets:				
Client Escrow and Restricted Deposits	7,399		17,093	
Accounts Receivable	(60,124)		2,487	
Promises to Give	(63,875)		-	
Prepaid Expenses	8,372		(913)	
Increase (Decrease) in Liabilities:				
Accounts Payable - Trade	(7,048)		10,789	
Accrued Salaries and Payroll Taxes	3,576		(18,960)	
Prepaid Rent	101		(297)	
Client Escrow Accounts	(8,468)		(18,638)	
Net Unrealized and Realized (Gains) and Losses	(70,285)		38,440	
Contributions Restricted for Capital Improvements	(185,827)		(207,128)	
		(249,749)		(57,097)
Net Cash Provided (Used) by Operating Activities		34,738		(15,571)
Cash Flows from Investing Activities:				
Purchase of Investments	-		(27,200)	
Sale of Investments	4,870		189,688	
Purchase of Property and Equipment	(206,057)		(388,450)	
Net Cash Used by Investing Activities		(201,187)		(225,962)
Cash Flows from Financing Activities:				
Contributions Made for Capital Improvements	185,827		207,128	
Net Proceeds/Repayments on Line of Credit	(1,000)		(1,000)	
Repayment of Notes Payable	(20,589)		(21,391)	
Net Cash Provided by Financing Activities		164,238		184,737
Net Decrease in Cash		(2,211)		(56,796)
Cash and Cash Equivalents at Beginning of Year		330,888		387,684
Cash and Cash Equivalents at End of Year		$ 328,677		$ 330,888
Supplemental Data:				
In-Kind Interest Forgiveness		$ 4,081		$ 4,756
In-Kind Debt Forgiveness		28,162		27,048
In-Kind Supplies		480,321		399,889
Interest Paid		3,422		4,097

See independent auditor's report and notes to financial statements.

EPISCOPAL MINISTRIES OF THE DIOCESE OF BETHLEHEM, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016
with Summarized Totals for the Year Ended December 31, 2015

	Program Services					
	Transitional and Other Housing	Single Room Occupancy	Hospitality Center	Restoration House	Wyandotte Apartments	Grace House
Salaries	$ 85,508	$ 48,961	$ 148,738	$ 54,313	$ 14,013	$ 7,718
Employee Benefits	31,202	16,061	35,955	19,749	6,447	4,282
Payroll Taxes	6,982	4,184	11,775	4,594	1,502	1,027
Total Salaries and Related Expenses	$ 123,692	$ 69,206	$ 196,468	$ 78,656	$ 21,962	$ 13,027
Professional Fees	1,276	1,416	1,276	1,276	5,080	290
Rental Expense	-	-	-	38,400	-	-
Building Maint. and Repairs	13,746	4,356	30,014	8,779	11,639	3,542
Utilities	31,207	4,363	10,640	20,775	8,408	3,750
Telephone	1,189	1,030	533	2,486	1,163	2,184
Office	399	68	365	749	629	40
In-Kind Contribution Expense	54,376	-	425,945	-	-	-
Program Expense	-	-	57,880	-	-	-
Services Rendered	1,748	4,586	1,904	17,794	-	327
Insurance	2,555	2,555	2,555	2,555	2,495	2,555
Dues and Subscriptions	45	-	-	-	-	-
Conferences and Meetings	125	-	-	383	-	-
Travel	123	-	1,527	1,424	-	188
Printing and Publications	-	-	-	-	-	-
Equipment Repairs and Leases	1,687	1,687	6,946	1,687	-	1,687
Postage	-	-	-	28	-	-
Interest	-	-	-	-	-	-
Real Estate Taxes	5,273	-	-	-	9,852	-
Advertising	-	-	-	-	-	-
Miscellaneous	-	-	-	-	204	-
Bad Debt	-	1,345	-	-	-	-
Depreciation	20,492	20,491	22,148	6,155	30,280	18,527
Special Events	-	-	-	-	-	-
Totals	$ 257,933	$ 111,103	$ 758,201	$ 181,147	$ 91,712	$ 46,117

See independent auditors' report and notes to financial statements.

		Supporting Services			
Community Help Partnership	Representative Payee	Management and General	Development	Totals 2016	Totals 2015
$ 22,160	$ 71,092	$ 56,182	$ 50,460	$ 559,145	$ 538,181
9,024	25,458	21,183	12,736	182,097	181,276
2,736	5,878	4,744	4,297	47,719	46,578
$ 33,920	$ 102,428	$ 82,109	$ 67,493	$ 788,961	$ 766,035
5,617	1,276	2,590	1,276	21,373	20,496
-	-	-	-	38,400	38,400
16,285	40	902	253	89,556	85,140
14,017	-	3,839	-	96,999	98,540
2,076	439	481	439	12,020	12,108
903	206	2,183	7,422	12,964	18,245
-	-	-	-	480,321	399,889
-	-	-	-	57,880	66,026
-	312	6,058	5,082	37,811	24,751
2,555	2,914	2,555	2,555	25,849	24,708
-	-	238	1,387	1,670	1,403
-	-	756	837	2,101	1,398
-	-	525	1,649	5,436	3,357
-	-	-	9,189	9,189	8,903
4,339	1,687	2,030	4,081	25,831	22,459
-	900	3	6,768	7,699	6,303
2,718	-	4,732	53	7,503	8,876
12,016	-	-	-	27,141	25,530
-	-	-	-	-	1,365
-	-	-	-	204	231
1,921	-	-	-	3,266	576
31,959	2,269	2,271	-	154,592	147,078
-	-	-	28,704	28,704	20,267
$ 128,326	$ 112,471	$ 111,272	$ 137,188	$ 1,935,470	$ 1,802,084

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Episcopal Ministries of the Diocese of Bethlehem, Inc. (the "Organization") is a not-for-profit corporation, known as New Bethany Ministries (NBM), organized under the laws of the Commonwealth of Pennsylvania for the purpose of serving the people of the Lehigh Valley who are hungry, homeless, poor, or mentally ill.

Episcopal Ministries of the Diocese of Bethlehem, Inc. is the general partner of Community Help Partnership, LP, a limited partnership. Episcopal Ministries of the Diocese of Bethlehem, Inc. has a 1% interest in Community Help Partnership, LP.

Consolidation of Limited Partnership

FASB ASC 810-20 deals with determining whether a general partner controls a limited partnership. FASB ASC 810-20 presumes that a general partner controls a limited partnership and therefore should consolidate the partnership. This presumption can be overcome if the limited partners have kick-out or substantive participating rights. Management has determined that Community Help Partnership, LP should be consolidated in accordance with FASB ASC 810-20.

Principles of Consolidation

The consolidated financial statements have been prepared to focus on Episcopal Ministries of the Diocese of Bethlehem, Inc. and the controlled organization as a whole. All material intercompany balances and transactions have been eliminated.

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the actions of the Board of Directors.

Temporarily Restricted Net Assets - subject to donor-imposed stipulations that may be fulfilled by the actions of the Board of Directors or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets - subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

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.

Revenues

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to report contributions whose restricted purpose is met within the year the gift is given as unrestricted contributions on the statement of activities.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Rental Income and Prepaid Rents

Rental Income is recognized for apartment rentals as they accrue. Advance receipts of rental income are deferred and classified as liabilities until earned.

Cash and Cash Equivalents

Cash and cash equivalents, as presented on the statements of cash flows, represents all checking, savings, and money market accounts and certificates of deposit, unless held as restricted deposits or client escrow deposits.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consists of rents due from tenants as well as service fee revenues due from various counties and other agencies. Management reviews the aging of rents and service fees receivable as well as individual balances in determining collectability. Accounts are written off as they are deemed uncollectible. Management has determined that an allowance for uncollectible accounts of $1,000 in relation to rents receivable on Community Help Partnership is adequate for 2016 and 2015.

Investments

Investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are reported as increases (decreases) in unrestricted net assets unless restricted by donors.

Property and Equipment

Property and equipment is stated at cost. The Organization capitalizes items purchased or received in excess of $1,000, with a useful life greater than one year. Maintenance and repairs are charged to expense in the period incurred; major improvements are capitalized. Depreciation is computed by use of the straight-line method based on estimated useful lives of the assets, which range from 5 to 30 years. When property and equipment is sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

In-Kind Contributions

In-kind contributions of facilities and materials used in the Organization's programs are recorded as income and expense at the estimated fair value of those items. In addition, in-kind contributions of property and equipment are recorded as income and increases of property and equipment.

A substantial number of volunteers have contributed significant amounts of their time to the Organization's programs and management. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. $-0- of contributed services were recognized for the years ended December 31, 2016 and 2015, respectively.

Functional Allocation of Expenses

The costs of providing the Organization's various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Any expenses not directly chargeable to a program are allocated between program, management and general, and development based on management's estimates.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income Tax

The Organization is exempt from federal income taxes under the provision of Section 501 (c)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to unrelated business income. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Uncertain tax positions are evaluated in accordance with FASB ASC 740-10. FASB ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. FASB ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. The Organization had no material unrecognized tax benefits or accrued interest or penalties for 2016 or 2015.

The Organization files income tax returns in the United States and the state of Pennsylvania. The Organization is no longer subject to U.S. federal examinations by taxing authorities for years before 2013.

Operating Measure

Results from operations in the consolidated statement of activities reflect all transactions increasing or decreasing net assets except those items of a capital nature – that is, items associated with long-term investment or acquisition of capital assets and improvements.

2. Restoration House Program and Related In-Kind Contributions

In November 1999, the Organization entered into a sale/leaseback agreement of Restoration House with an area agency for the sum of one dollar with the option to repurchase the property at any time for the sum of one dollar. All debt associated with the Restoration House remained with the Organization.

For the years ended December 31, 2016 and 2015, the Organization received rental income of $38,400 annually, and recorded a related rental expense for activities conducted at the Restoration House facility. In-kind debt relief associated with the Restoration House was $28,162 and $27,048 for the years ended December 31, 2016 and 2015, respectively.

3. Promises to Give

Unconditional promises to give consist of the following:

	2016	2015
Unconditional Pledges expected to be collected in:		
Less than one year	$ 33,500	$ -
One to five years	30,375	-
	$ 63,875	$ -

Contributions are recognized at fair value, when the donor makes a promise to give to the Organization that is, in substance, unconditional. Management has deemed the discount on uncollectible promises to give to be immaterial to the overall financial statements. Management has also deemed an allowance for uncollectible promises to give to be immaterial to the overall financial statements.

4. Property and Equipment

Property and equipment consist of the following:

	2016	2015
Land	$ 37,700	$ 37,700
Buildings and Improvements	4,042,608	3,838,175
Equipment	231,074	247,020
	4,311,382	4,122,895
Less: Accumulated Depreciation and Amortization	(2,690,028)	(2,553,006)
	$ 1,621,354	$ 1,569,889

Depreciation and amortization charged to expense was $154,592 and $147,078 for the years ended December 31, 2016 and 2015, respectively.

The net book value of the Restoration House property was removed from the books effective January 1, 2007. The property removed related to the Restoration House sale and subsequent leaseback in 1999. As of December 31, 2016, the carrying value of the property was $365,467. The property acts as security on the Restoration House debt and can be bought back at any time for the sum of one dollar.

5. Investments

Investments are comprised of the following:

	2016 Market Value	2015 Market Value
Invested with Lehigh Valley Community Foundation	$ 693,583	$ 628,164
Mainstay Capital Appreciation B Fund	3,408	3,412
	$ 696,991	$ 631,576

The Organization has its endowment funds deposited with Lehigh Valley Community Foundation. $634,184 of these assets are permanently restricted as of December 31, 2016 and 2015.

The Organization holds a mutual fund investment carried at market value on behalf of a client and was to be held until the client's 21st birthday. The client has reached the age of 21, but the funds have not been transferred as of December 31, 2016. All income and unrealized/ realized gains and losses are reinvested.

6. Endowment Funds

The Organization's endowment consists of three funds established to support the mission of the Organization through the withdrawal of income as determined by the Board and donor restrictions. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the laws of the Commonwealth of Pennsylvania as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the laws of the Commonwealth of Pennsylvania.

6. Endowment Funds (Continued)

Endowment Return Objectives, Risk Parameters and Strategies and Spending Policy

The Organization has deposited the endowment funds with Lehigh Valley Community Foundation. The foundation is responsible for the prudent investment of funds and determining the amount of funds distributable. The foundation has been granted variance power, therefore, the return objectives, risk parameters, strategies and spending policy is removed from the Organization.

Endowment net asset Composition as of December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor - Restricted Endowment Funds	$ -	$ 59,399	$ 634,184	$ 693,583
Board Designated Endowment Funds	-	-	-	-
	$ -	$ 59,399	$ 634,184	$ 693,583

Endowment net asset Composition as of December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor - Restricted Endowment Funds	$ (6,020)	$ -	$ 634,184	$ 628,164
Board Designated Endowment Funds	-	-	-	-
	$ (6,020)	$ -	$ 634,184	$ 628,164

Changes in endowment net assets as of December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ (6,020)	$ -	$ 634,184	$ 628,164
Investment Return	6,020	59,399	-	65,419
Contributions	-	-	-	-
Appropriation of Net Assets for Expenditure	-	-	-	-
Endowment Net Assets, End of Year	$ -	$ 59,399	$ 634,184	$ 693,583

Changes in endowment net assets as of December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 158,896	$ 63,275	$ 606,984	$ 829,155
Investment Return	(8,665)	(35,835)	-	(44,500)
Contributions	-	-	27,200	27,200
Appropriation of Net Assets for Expenditure	(156,251)	(27,440)	-	(183,691)
Endowment Net Assets, End of Year	$ (6,020)	$ -	$ 634,184	$ 628,164

6. Endowment Funds (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or state law requires the Organization to retain as a fund of perpetual duration. There was no deficiency in donor-restricted endowment funds at December 31, 2016.

7. Notes Payable

A summary of notes payable is as follows:

	2016	2015
0% Support Mortgage Payable, Homes Program collateralized by land and building. Note was amended and restated during 2007 to include the First Note Payable balance of $36,321. Payments are to be made out of "Excess Revenue" generated by the project as determined by PHFA. Payments are to be made prior to repayment of subordinate project financing and prior to any distributions to Mortgagor as Return of Equity. 50% of the computed Excess Revenue in any given year will be used to pay down the Note, with the other 50% available for distribution to the Mortgagor. Balance is due and payable upon default, sale of project, refinancing, termination of the project, or June, 2037, whichever occurs earlier. No current portion of principal is due at this time. Payments are due when excess revenue is available. Historically, excess revenue does not exist. **This note relates to the Wyandotte St. Program.**	$ 352,346	$ 352,346
4.04% Note Payable to BB&T. Payable in monthly installments of principal and interest of $2,698. Matures November, 2019. Secured by real property in PA. **This note relates to the Restoration House Program.** The Note is guaranteed by the Episcopal Diocese of Bethlehem.	$ 88,941	$ 117,103
A First Mortgage Note Payable to ESSA Bank, due in monthly installments of $1,107 principal and interest. Interest is fixed at 2.875% until July, 2017 at which time the interest rate shall be reset at 2.25% above the Community Investment Program Advance Rate established by the Federal Home Loan Bank. The monthly payment amount will also be reset at this time. Note Matures September, 2024. **This note relates to Community Help Partnership.** Debt is secured by a lien on the property of Community Help Partnership, and the note is guaranteed by the Episcopal Ministries of the Diocese of Bethlehem, Inc.	90,763	101,356
0% Note Payable to the Incorporated Trustees of the Diocese of Bethlehem, Payable monthly at $833. Matures August, 2021. Secured by real property located in Bethlehem, PA. **This note relates to the Restoration House Program**. In-kind interest forgiveness related to this loan was $4,081.	50,367	60,363
	$ 582,417	$ 631,168
Less: Current Portion	(50,248)	(48,794)
	$ 532,169	$ 582,374

7. Notes Payable (Continued)

Long-term debt maturities are as follows:

Year Ending December 31,		
2017	$	50,248
2018		51,761
2019		50,634
2020		21,867
2021		22,196
Thereafter		385,711

Aggregate maturities of long-term debt for the next five years are not determinable at this time on the Support Mortgage Payable. Computation of excess cash will be computed by PHFA annually to determine payments required, if any.

Interest expense charged to earnings was $7,503 and $8,876 for 2016 and 2015, respectively.

8. Client Escrow Deposits

The Organization acts as a representative payee for the social security benefits received by its clients. The Organization provides individual case management reviews ensuring that the funds are expended on the client's behalf for food, clothing, shelter, and medical care. The funds are held in separate accounts and annual reports for each client are submitted to the Social Security Administration.

Security deposits paid by tenants of the buildings managed by the Organization are also classified as restricted deposits and recorded as liabilities on the consolidated statement of financial position.

9. Related Party Transactions

The Organization is affiliated with the Episcopal Diocese of Bethlehem, “the Diocese”. Transactions with the Diocese for the year ended December 31, 2016 and 2015 included forgiven interest of $4,081 and $4,756 respectively, on a note due to the Diocese. The outstanding balance of the note is $50,367 at December 31, 2016. This note relates to the Restoration House Property.

The Diocese has also guaranteed the BB&T Bank debt secured by the Restoration House property. The outstanding balance on the debt is $88,941.

The Organization is the general partner of Community Help Partnership. The Organization acts as management agent for the apartment building owned by the Partnership and allocates payroll and other expenses to the Partnership. Historically, the Partnership did not have sufficient cash flow to cover operating expenses.

Wyandotte Apartments is a program of the Episcopal Ministries of the Diocese of Bethlehem, Inc. To be in compliance with the Pennsylvania Housing Finance Agency’s regulations, the accounting for Wyandotte Apartments - PHFA project number H-0008 is being performed separately from the Organization. Separate audited financial statements are prepared for the Project. The Wyandotte financial statements have been consolidated into the Organization’s financial statements.

10. Fair Value Measurements

Financial Accounting Standards Board ASC 820-10, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

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

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

10. Fair Value Measurements (Continued)

Level 3 Inputs to the valuation methodology are unobservable, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

Invested with Lehigh Valley Community Foundation: Measured at the reported value by the Foundation, which approximates fair value. The Organization does not receive details of the Foundation's investment composition.

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.

There were no transfers between Level 1, Level 2 and Level 3 investments in 2016 and 2015.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

	Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Invested with Lehigh Valley Community Foundation	$ -	$ 693,583	$ -	$ 693,583
Mutual Funds - Growth Funds	3,408	-	-	3,408
Total Assets at Fair Value	$ 3,408	$ 693,583	$ -	$ 696,991

10. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2015:

	Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Invested with Lehigh Valley Community Foundation	$ -	$ 628,164	$ -	$ 628,164
Mutual Funds - Growth Funds	3,412	-	-	3,412
Total Assets at Fair Value	$ 3,412	$ 628,164	$ -	$ 631,576

11. Net Assets

Temporarily Restricted Net Assets are available for the following purposes:

	2016	2015
Operating Support	$ 63,875	$ 6,262
Markie Noti Trust	3,408	3,412
Clothing	-	510
Meal Center	-	4,000
Expansion Project	204,838	204,838
Vehicles	1,657	1,657
Capital Improvements	62,500	62,650
Endowment Earnings	59,399	-
	$ 395,677	$ 283,329

Net assets were released from restrictions for the following purposes:

	2016	2015
2016 Operating Support	$ 6,262	$ -
Meal Center	4,000	-
Clothing	510	-
Bus Tickets	-	200
Acquisition of Capital Assets	62,650	47,440
	$ 73,422	$ 47,640

11. Net Assets (Continued)

Permanently Restricted Net Assets are restricted to:

	2016	2015
General Endowment Fund - Investment in perpetuity, the income from which is expendable to support the mission of the Organization.	$ 532,484	$ 532,484
Robinson Fund - Investment in perpetuity, the income from which is expendable to help individuals or families served by the Organization.	101,700	101,700
	$ 634,184	$ 634,184

In 2003, the Organization established the New Bethany Ministries fund as a permanent agency endowment fund of the Lehigh Valley Community Foundation. In 2005, the Organization established the Robinson fund as a permanent agency endowment fund of the Lehigh Valley Community Foundation.

The Foundation has been granted variance power in that in the event that it becomes unnecessary, undesirable, impractical, or impossible to utilize the fund for such purposes or if the Episcopal Ministries of the Diocese of Bethlehem, Inc. ceases to exist or be recognized as a tax exempt charitable organization, the Foundation shall have the right to utilize the Fund for such charitable purposes as it deems appropriate in accordance with the Foundation's governing instruments. The value of the funds at December 31, 2016 and 2015 was $693,583 and $628,164, respectively.

12. Pension

The Organization has a defined contribution simplified employee pension plan covering substantially all of its employees. For the year ended December 31, 2016 and 2015 pension expense was $49,238 and $48,030 respectively. The expense is computed at a rate of 5% of the participating employee's salaries with an additional 4% match of employee contribution. All costs have been funded on a current basis. The plan has assets of $844,714 and $756,380 as of December 31, 2016 and 2015, respectively.

13. Operating Lease

The Organization leases a copier under a long-term lease agreement. Rental expense on the lease was $6,804 and $5,105 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments are as follows:

Year Ending December 31,		
2017	$	6,504
2018		6,504

There are no operating subleases.

14. Commitment and Contingencies

In May 2008, the Organization entered into an agreement with the City of Bethlehem to be the recipient of up to $57,700 of federal HOME program funds to complete a feasibility study that examined current facilities and operations, potential locations for expansion and corresponding cost estimates, and the creation of a financing plan to guide the expansion. The Organization must meet affordability guidelines and requirements.

In November, 2009, the Organization received approval for funding of the Grace House project through the Federal Home Loan Program. The grant was for $250,000. There are various monitoring requirements of the FHLBank of Pittsburgh and Affordable Housing Program regulations. The Organization must meet compliance requirements for 15 years after the rental project is complete. The Grace House Project was completed during 2011.

15. Line of Credit

The Organization has a $50,000 line of credit with BB&T Bank to help finance its working capital needs. Interest is payable monthly at a variable rate (4.25% at December 31, 2016). The outstanding balance at December 31, 2016 was $10,400. Interest expense for the year ended December 31, 2016 was $453. The line of credit expires June 30, 2017.

The Organization has a $25,000 line of credit with PNC Bank linked to the payroll account. The purpose is to cover payroll expenses if necessary. The line was not utilized during 2016.

16. Summarized Totals for Year Ended December 31, 2015

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Episcopal Ministries of the Diocese of Bethlehem, Inc.'s financial statements for the year ended December 31, 2015, from which summarized information was derived.

17. Subsequent Events

Management has evaluated subsequent events through March 8, 2017, the date on which the financial statements were available to be issued, and has determined that no material subsequent events exist that require disclosure.

SUPPLEMENTARY INFORMATION

EPISCOPAL MINISTRIES OF THE DIOCESE OF BETHLEHEM, INC.
(A Not-for-Profit Corporation)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2016

	New Bethany Ministries	Wyandotte St. Apartments	Community Help Partnership	Eliminations	Totals
ASSETS:					
Cash and Cash Equivalents	$ 319,355	$ 5,465	$ 3,857	$ -	$ 328,677
Client Escrow Deposits	101,064	1,700	541	-	103,305
Restricted Deposits	-	24,556	6,863	-	31,419
Accounts Receivable	341,229	498	2,623	(238,843)	105,507
Pledges Receivable	63,875	-	-	-	63,875
Prepaid Expenses	964	4,354	-	-	5,318
Investments	782,817	-	-	(85,826)	696,991
Property and Equipment (net)	1,209,538	131,946	279,870	-	1,621,354
Noncurrent Receivable, Net of Allowance for Uncollectibles of $101,224	15,000	-	-	(15,000)	-
TOTAL ASSETS	$ 2,833,842	$ 168,519	$ 293,754	$ (339,669)	$ 2,956,446
LIABILITIES AND NET ASSETS:					
LIABILITIES:					
Accounts Payable - Trade	$ 33,691	$ 239,646	$ 116,624	$ (355,067)	$ 34,894
Accrued Salaries and Payroll Taxes	36,553	-	-	-	36,553
Prepaid Rent	-	101	-	-	101
Client Escrow Accounts	101,064	1,700	541	-	103,305
Line of Credit	10,400	-	-	-	10,400
Notes Payable	139,308	352,346	90,763	-	582,417
TOTAL LIABILITIES	321,016	593,793	207,928	(355,067)	767,670
NET ASSETS:					
Undesignated	$ 412,732	$ (204,874)	$ (103,281)	$ 204,505	$ 309,082
Endowment Deficit	-	-	-	-	-
Invested in Property and Equipment	1,070,233	(220,400)	189,107	(189,107)	849,833
Board Designated for Capital Improvements	-	-	-	-	-
Temporarily Restricted	395,677	-	-	-	395,677
Permanently Restricted	634,184	-	-	-	634,184
TOTAL NET ASSETS	2,512,826	(425,274)	85,826	15,398	2,188,776
TOTAL LIABILITIES AND NET ASSETS	$ 2,833,842	$ 168,519	$ 293,754	$ (339,669)	$ 2,956,446

See independent auditor's report on supplementary information.

EPISCOPAL MINISTRIES OF THE DIOCESE OF BETHLEHEM, INC.
(A Not-for-Profit Corporation)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	New Bethany Ministries	Wyandotte St. Apartments	Community Help Partnership	Eliminations	Totals
Revenues					
Contributions	$ 507,700	$ -	$ -	$ -	$ 507,700
United Way Allocation	40,000	-	-	-	40,000
Governmental Support	268,240	-	-	-	268,240
Restoration House-HUD Funding	110,532	-	-	-	110,532
Program Service Fees	174,970	62,696	106,284	(57,322)	286,628
Investment Income	994	38	-	-	1,032
Special Events	232,811	-	-	-	232,811
In-Kind Contributions	512,564	-	-	-	512,564
Miscellaneous Income	2,599	573	1,166	-	4,338
Realized/Unrealized Gain (Loss) on Investments	(20,876)	-	-	20,876	-
Net Assets Released from Restrictions	10,772	-	-	-	10,772
Total Revenue	1,840,306	63,307	107,450	(36,446)	1,974,617
Expenses					
Program Services					
Transitional and Other Housing	257,933	-	-	-	257,933
Single Room Occupancy	111,103	-	-	-	111,103
Hospitality Center	758,201	-	-	-	758,201
Restoration House	181,147	-	-	-	181,147
Wyandotte Apartments	-	91,712	-	-	91,712
Community Help Partnership	57,322	-	128,326	(57,322)	128,326
Grace House	46,117	-	-	-	46,117
Representative Payee	112,471	-	-	-	112,471
Supporting Services					
Management and General	111,272	-	-	-	111,272
Development	137,188	-	-	-	137,188
Total Operating Expenses	1,772,754	91,712	128,326	(57,322)	1,935,470
Change in Net Assets from Operations	67,552	(28,405)	(20,876)	20,876	39,147
Other Changes in Net Assets					
Net Assets Released From Restrictions for Capital Improvements	-	-	-	-	-
Net Assets Released From Restrictions for Operating Purposes	(10,772)	-	-	-	(10,772)
Bad Debt Allowance	583	-	-	(583)	-
Contributions to Endowment	-	-	-	-	-
Governmental Support for Capital Improvements	123,327	-	-	-	123,327
Contributions for Capital Improvements	62,500	-	-	-	62,500
Realized/Unrealized Gain (Loss) on Investments	70,285	-	-	-	70,285
Total Other Changes	245,923	-	-	(583)	245,340
Increase (Decrease) in Net Assets	313,475	(28,405)	(20,876)	20,293	284,487
Net Assets at Beginning of Year	2,199,351	(396,869)	106,702	(4,895)	1,904,289
Net Assets at End of Year	$ 2,512,826	$ (425,274)	$ 85,826	$ 15,398	$ 2,188,776

See independent auditor's report on supplementary information.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Episcopal Ministries of the Diocese of Bethlehem, Inc.
Bethlehem, PA

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Episcopal Ministries of the Diocese of Bethlehem, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Episcopal Ministries of the Diocese of Bethlehem, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Episcopal Ministries of the Diocese of Bethlehem, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Episcopal Ministries of the Diocese of Bethlehem, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Episcopal Ministries of the Diocese of Bethlehem, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Campbell, Rappold & Yurasits LLP

March 8, 2017