

Bethany House Services, Inc.

**Consolidated Financial Statements with Supplementary Information
December 31, 2013 with
Summarized Comparative Totals for December 31, 2012, and
Independent Auditors' Report**

BETHANY HOUSE SERVICES, INC.
December 31, 2013
With Summarized Comparative Totals for December 31, 2012

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Independent Auditors' Report

To the Board of Directors
Bethany House Services, Inc.
Cincinnati, Ohio 45214

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of Bethany House Services, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' 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 the standards applicable to the 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bethany House Services, Inc. as of December 31, 2013 and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

OHIO OFFICE: 150 East Fourth Street | Cincinnati, OH 45202 | Phone: (513) 241-8313 | Fax: (513) 241-8303
KENTUCKY OFFICE: 2617 Legends Way | Crestview Hills, KY 41017 | Phone: (859) 344-6400 | Fax: (859) 578-7522

**Independent Auditors' Report
(Continued)**

Report on Summarized Comparative Information

We have previously audited the Bethany House Services, Inc. 2012 consolidated financial statements, and our report dated May 24, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the supplementary consolidating statement of activities and financial position for the years ended December 31, 2013 and 2012 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other 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 dated July 2, 2014, on our consideration of Bethany House Services, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bethany House Services, Inc.'s internal control over financial reporting and compliance.

Barnes, Dunning & Co., Ltd.

July 2, 2014
Crestview Hills, Kentucky

BETHANY HOUSE SERVICES, INC.

**Consolidated Statement of Financial Position
As of December 31, 2013
With Summarized Comparative Totals as of December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2013</u>	<u>2012</u>
Assets					
Current:					
Cash and cash equivalents	\$ 307,603	\$ -	\$ -	\$ 307,603	\$ 414,539
Accounts receivable	26,814	-	-	26,814	18,224
Pledges receivable	-	80,804	74,118	154,922	233,098
Grants receivable	177,287	-	-	177,287	310,206
Prepaid expenses and other assets	19,607	-	-	19,607	10,429
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	531,311	80,804	74,118	686,233	986,496
Property and equipment, net	735,205	-	-	735,205	755,628
Investments	983,402	163,155	389,863	1,536,420	1,116,512
Other:					
Deposits	944	-	-	944	944
Pledges receivable - long term	-	12,293	98,414	110,707	202,622
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,250,862</u>	<u>\$ 256,252</u>	<u>\$ 562,395</u>	<u>\$ 3,069,509</u>	<u>\$ 3,062,202</u>
Liabilities and Net Assets					
Current:					
Accounts payable	\$ 42,383	\$ -	\$ -	\$ 42,383	\$ 73,355
Accrued expenses	69,550	-	-	69,550	78,763
Tenant deposits	6,150	-	-	6,150	9,150
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	118,083	-	-	118,083	161,268
Total liabilities	118,083	-	-	118,083	161,268
Net Assets	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,132,779	256,252	562,395	2,951,426	2,900,934
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 2,250,862</u>	<u>\$ 256,252</u>	<u>\$ 562,395</u>	<u>\$ 3,069,509</u>	<u>\$ 3,062,202</u>

See accompanying notes to consolidated financial statements

BETHANY HOUSE SERVICES, INC.

**Consolidated Statement of Activities
For the Year Ended December 31, 2013
With Summarized Comparative Totals for the Year Ended December 31, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2013	2012
Public support:					
Contributions	\$ 132,093	\$ -	\$ -	\$ 132,093	\$ 81,268
Campaign income	52,552	240	-	52,792	57,956
Special events	214,165	-	-	214,165	223,300
Less direct benefit costs	(60,360)	-	-	(60,360)	(53,759)
Churches and other religious organizations	23,386	-	-	23,386	27,984
Foundations	179,864	-	-	179,864	309,445
Donated facilities, materials and services	94,423	-	-	94,423	98,902
Total public support	636,123	240	-	636,363	745,096
Revenues:					
Rental agent and other fees	111,465	-	-	111,465	122,863
Government grants	1,290,813	-	-	1,290,813	1,582,499
Cancellation of debt income	-	-	-	-	861,418
Miscellaneous income	14,660	-	-	14,660	9,165
Interest income	192	-	-	192	2,080
Total revenues	1,417,130	-	-	1,417,130	2,578,025
Net assets released from restrictions	61,122	(61,122)	-	-	-
Total public support and revenues	2,114,375	(60,882)	-	2,053,493	3,323,121
Less amounts paid to subrecipients under Family Housing Partnership	(184,167)	-	-	(184,167)	(175,860)
Total public support and revenues, net of amounts paid to subrecipients	1,930,208	(60,882)	-	1,869,326	3,147,261
Expenses:					
Program services	1,708,731	-	-	1,708,731	1,927,523
Management and general	167,322	-	-	167,322	122,113
Fundraising	153,626	-	-	153,626	177,567
Total expenses	2,029,679	-	-	2,029,679	2,227,203
Increase (decrease) in net assets before investment income	(99,471)	(60,882)	-	(160,353)	920,058
Investment income	184,114	26,731	-	210,845	100,580
Increase (decrease) in net assets	84,643	(34,151)	-	50,492	1,020,638
Net assets, beginning of year	2,048,136	290,403	562,395	2,900,934	1,880,296
Net assets, end of year	\$ 2,132,779	\$ 256,252	\$ 562,395	\$ 2,951,426	\$ 2,900,934

See accompanying notes to consolidated financial statements

BETHANY HOUSE SERVICES, INC.

**Consolidated Statement of Cash Flows
For the Years Ended December 31, 2013 and 2012**

	2013	2012
Cash flows from operating activities		
Increase in net assets	\$ 50,492	\$ 1,020,638
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	52,193	53,916
Donated property and equipment	-	(7,400)
Realized (gain) loss on marketable securities	(37,167)	677
Unrealized (gain) loss on marketable securities	(125,707)	(74,856)
Cancellation of debt and related accrued interest	-	(861,418)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(8,590)	(7,007)
(Increase) decrease in pledges receivable	170,091	187,379
(Increase) decrease in grants receivable	132,919	(79,512)
(Increase) decrease in prepaid expenses	(9,178)	8,183
Increase (decrease) in accounts payable	(30,972)	12,123
Increase (decrease) in accrued expenses	(9,213)	(51,330)
Increase (decrease) in tenant deposits	(3,000)	3,286
Net cash provided by operating activities	181,868	204,679
Cash flows from investing activities		
Purchase of property and equipment	(31,770)	(24,182)
Proceeds from sale of investments	349,562	91,255
Purchases of investments	(606,596)	(387,763)
Net cash used in investing activities	(288,804)	(320,690)
Net decrease in cash and cash equivalents	(106,936)	(116,011)
Cash and cash equivalents at beginning of period	414,539	530,550
Cash and cash equivalents at end of period	\$ 307,603	\$ 414,539
Non-cash transactions		
Donated property and equipment	\$ -	\$ 7,400
Reduction in long-term debt and related accrued interest due to cancellation of debt	\$ -	\$ 861,418

See accompanying notes to consolidated financial statements

BETHANY HOUSE SERVICES, INC.

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2013
With Summarized Comparative Totals for December 31, 2012**

	Program Services						Supporting Services				Total	
	Shelter	Rapid Rehousing	Transitional Housing	Family Housing Partnership	Bethany Place	Permanent Housing	Total Program Services	Management and General	Fund- raising	Total Supporting Services	2013	2012
Salaries	\$ 255,394	\$ 141,690	\$ 74,618	\$ 114,635	\$ 10,072	\$ 17,830	\$ 614,239	\$ 106,304	\$ 101,185	\$ 207,489	\$ 821,728	\$ 802,380
Payroll taxes	25,870	14,212	7,197	10,689	883	1,694	60,545	6,416	6,380	12,796	73,341	73,967
Employee benefits	31,854	18,134	7,865	10,602	1,893	1,756	72,104	6,359	9,091	15,450	87,554	99,930
Total salaries and related expenses	313,118	174,036	89,680	135,926	12,848	21,280	746,888	119,079	116,656	235,735	982,623	976,277
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	621
Staff professional fees	10,092	6,092	2,262	2,356	1,142	2,000	23,944	2,873	3,854	6,727	30,671	15,971
Travel and conferences	1,496	2,591	1,988	2,679	122	247	9,123	2,894	3,992	6,886	16,009	7,803
Supplies	16,335	1,719	906	1,202	125	98	20,385	3,437	2,531	5,968	26,353	39,328
Food	31,179	-	-	-	-	-	31,179	-	-	-	31,179	26,354
Postage	62	113	122	101	-	41	439	839	4,900	5,739	6,178	5,210
Specific assistance to individuals	36,871	287,537	235,973	11,382	-	-	571,763	-	-	-	571,763	755,251
Insurance	6,063	3,205	1,436	1,915	306	8,264	21,189	1,130	1,589	2,719	23,908	23,872
Maintenance and repairs	36,190	8,630	3,878	6,148	1,404	32,183	88,433	9,569	10,106	19,675	108,108	109,147
Membership	1,238	543	290	691	37	46	2,845	765	614	1,379	4,224	3,289
Miscellaneous	480	210	101	153	30	8,794	9,768	18,191	616	18,807	28,575	20,279
Telephone	5,737	4,151	1,428	2,115	998	177	14,606	2,248	1,409	3,657	18,263	17,048
Printing	-	-	-	-	-	-	-	-	1,094	1,094	1,094	-
Public relations	-	-	-	-	-	-	-	-	-	-	-	13,486
Professional fees	-	-	-	-	-	13,989	13,989	-	-	-	13,989	20,560
Rent	-	-	-	-	2,800	-	2,800	-	-	-	2,800	7,312
Utilities	16,348	2,791	1,297	1,670	3,578	38,913	64,597	2,110	1,535	3,645	68,242	54,100
Real estate taxes	125	-	-	37	2,688	2,787	5,637	79	-	79	5,716	14,607
Admin sales tax	-	-	-	-	-	-	-	249	-	249	249	40
Case management contracts	-	20,443	-	-	-	-	20,443	-	-	-	20,443	42,352
Support contracts	1,500	1,800	1,000	11,163	200	-	15,663	130	1,306	1,436	17,099	20,380
Total expenses before depreciation	476,834	513,861	340,361	177,538	26,278	128,819	1,663,691	163,593	150,202	313,795	1,977,486	2,173,287
Depreciation	10,869	11,713	7,758	4,047	599	10,054	45,040	3,729	3,424	7,153	52,193	53,916
Total expenses	\$ 487,703	\$ 525,574	\$ 348,119	\$ 181,585	\$ 26,877	\$ 138,873	\$ 1,708,731	\$ 167,322	\$ 153,626	\$ 320,948	\$ 2,029,679	\$ 2,227,203

See accompanying notes to consolidated financial statements

BETHANY HOUSE SERVICES, INC.

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Operations

Bethany House Services, Inc. (BHS) provides emergency shelter, transitional housing, permanent housing, and other related services to homeless and low-income women and children.

Specifically, emergency shelter is provided to women and children at a 14-room home on Fairmount Avenue in Cincinnati and at other off site facilities. Programs offered by BHS provide a safe, secure environment, supervised meals, transportation assistance and enrichment programs.

In addition, BHS administers the Family Housing Partnership (FHP) which is a network of five shelters to help families leaving emergency shelter gain a more permanent living situation. This involves collaborating with the Hamilton County Department of Human Services in order to standardize the delivery of welfare benefits to homeless families and to set a baseline for the provision of social services to families.

Since 1997, single women without children have been served at Bethany Place, a group home, where supportive services help stabilize residents. The program ended in July 2013.

Significant funding is received from the State of Ohio and City of Cincinnati for shelter operations. The majority of the funding for the Family Housing Partnership, Rapid Rehousing and Transitional Housing is received from the Department of Housing and Urban Development.

BHS has a for-profit subsidiary, Bethany Homes, Inc. (BHI). BHI was incorporated in Ohio in 1992 for the specific purpose of real estate development and management. BHI has a 1% investment in a limited partnership, Bethany Homes Limited Partnership (BHLP), a partnership that owns and manages a 24-unit apartment complex that provides a low cost housing alternative to low income families. BHI is the general partner of BHLP. BHS has a 99% limited partnership interest in BHLP.

Principles of Consolidation

The consolidated financial statements include the accounts of BHS, BHI, and BHLP (collectively, the 'Organization'). All material inter-company transactions have been eliminated.

Financial Statement Presentation

The consolidated 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the BHS's financial statements for the year ended December 31, 2012 from which the comparative information was derived.

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restriction; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restriction which do not expire.

BETHANY HOUSE SERVICES, INC.

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor 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. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue.

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-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred. BHS capitalizes purchases of land, buildings and equipment in excess of \$1,000.

In accordance with GAAP, the Organization assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Organization believes no impairments existed at December 31, 2013 and 2012.

Cash and Cash Equivalents

BHS considers all checking, money market, and savings accounts with maturities of three months or less to be cash equivalents. At December 31, 2013 and 2012, cash equivalents consisted primarily of money market funds and certificates of deposit. BHS maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. BHS has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

BETHANY HOUSE SERVICES, INC.

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Pledges Receivable

Receivables are written off as uncollectible after the Organization has used reasonable collection efforts and deems them uncollectible. Based on these criteria, no allowance for doubtful accounts has been provided at both December 31, 2013 and 2012 since the Organization expects no material losses.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Organization's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.

Use of Estimates

The preparation of financial statements 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Contributed Materials and Services

Contributions of materials meeting the requirements for recognition have been recorded in the consolidated statement of activities as public support in-kind donations and in the consolidated statement of functional expenses at their estimated fair market values at the date of receipt.

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individual providing the service and the service would typically need to be purchased if not donated.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities, accordingly, certain costs have been allocated among benefited programs and supporting services.

BETHANY HOUSE SERVICES, INC.

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

BHI is subject to federal, state and local income taxes. No provision for income taxes is reflected in the accompanying consolidated financial statements, as BHI experienced a net loss for the years ended December 31, 2013 and 2012.

BHS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio/Kentucky law. The Organization's income tax returns is subject to review and examination by federal and state authorities. BHS is not aware of any activities that would jeopardize its tax-exempt status. BHS is not considered a private foundation.

BHLP is treated as a partnership for federal and state income tax purposes and accordingly the tax effects of the Partnership's income or loss are passed through to the partners. The partners include their allocable share of the net income or loss (as reported for tax purposes) in their respective income tax returns.

Accounting for Uncertainty in Income Taxes

The Organization adopted the provisions of *Accounting for Uncertainty in Income Taxes* on January 1, 2009. Those provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2011 - 2013. The Organization's policy with regard to interest and penalty is to recognize interest through interest expense and penalties through other expense. In evaluating the Organization's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Organization believes its estimate that no income tax is due is appropriate based on current facts and circumstances.

Reclassifications

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

Subsequent Events

Subsequent events were considered through July 2, 2014, the date which the financial statements were available to be issued.

NOTE 2 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of amounts received from donors who specified the use of their gifts for specific purposes. Temporarily restricted net assets are subject to donor-imposed restrictions that will be met either by future actions or the passage of time.

There were \$256,252 and \$290,403 temporarily restricted net assets at December 31, 2013 and 2012, respectively.

BETHANY HOUSE SERVICES, INC.

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 3 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are net assets with donor-imposed restrictions that stipulate that resources must be maintained permanently, but permit BHS to expend the income derived from the donated assets. The income from BHS's permanently restricted net assets may be used for program service expenses or operations.

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable in one year or more are measured using the present value of future cash flows based on a discount rate of 3.25% at December 31, 2013. Pledges receivable at December 31, 2013 consisted of the following:

	2014	\$ 157,419	
	2015	112,491	
		269,910	
Total pledges receivable		269,910	
Less discount to net present value		(4,281)	
		\$ 265,629	

NOTE 5 INVESTMENTS AT FAIR VALUE

Investments' fair value at December 31 consisted of the following:

	2013	2012
Level 1:		
Bonds and notes – mutual fund	\$ 536,536	\$ 348,900
Common stocks – mutual fund	871,875	578,577
Real estate investments	71,016	52,640
	1,479,427	980,117
Level 2:		
Money market funds	56,993	136,395
	\$ 1,536,420	\$ 1,116,512

Fair values for commercial paper, money market funds, mutual funds, and real estate are estimated by reference to quoted market prices.

Investment return consisted of the following:

	2013	2012
Realized gain (loss)	\$ 37,167	\$ (676)
Unrealized gain	125,707	74,856
Interest and dividends	47,971	26,401
Total investment income	\$ 210,845	\$ 100,580

BETHANY HOUSE SERVICES, INC.

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 6 DONATED FACILITIES, MATERIALS AND SERVICES

BHS received the following in-kind donations of facilities, materials and supplies during 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Donated materials and supplies	\$ 14,626	\$ 26,611
Qualified donated services	<u>79,797</u>	<u>72,291</u>
Portion recognized in statement of activities	<u>\$ 94,423</u>	<u>\$ 98,902</u>

Under FASB ASC 958, donated services are recognized as revenues (offset by like amount of expense) if the services require specialized skills and would typically be purchased if not provided by donation.

During 2013 and 2012, a number of volunteers have donated significant amounts of time to BHS. Total volunteer hours were 11,123 and 11,776 in 2013 and 2012, respectively. A portion of these hours qualifies for recognition in the financial statements and are included in the statements of activities in the amounts shown above.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 105,716	\$ 105,716
Buildings and improvements	1,132,222	1,103,020
Furniture, equipment and vehicles	<u>201,149</u>	<u>198,579</u>
	1,439,087	1,407,315
Less accumulated depreciation	<u>703,882</u>	<u>651,687</u>
	<u>\$ 735,205</u>	<u>\$ 755,628</u>

NOTE 8 GOVERNMENT GRANTS

BHS received the following governmental grants for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
U.S. Department of Homeland Security	\$ 13,570	\$ 15,000
American Recovery & Reinvestment Act	446,787	669,938
Department of Housing and Urban Development	647,763	706,964
State of Ohio	112,500	112,500
City of Cincinnati, Ohio	<u>70,193</u>	<u>78,097</u>
	<u>\$ 1,290,813</u>	<u>\$ 1,582,499</u>

BETHANY HOUSE SERVICES, INC.

Notes to Consolidated Financial Statements (Continued)

NOTE 9 FUNDRAISING

BHS recognized revenue of \$595,544 and \$691,078 from its fundraising activities and incurred related expenses of \$169,859 and \$227,690 in 2013 and 2012, respectively.

NOTE 10 CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject BHS to a concentration of credit risk, consist primarily of investments and grants receivable. BHS invests cash with an outside investment advisor, which invests in marketable securities with high credit ratings. BHS performs periodic evaluations of the relative credit standing of these financial institutions, which are considered in BHS's investment strategy.

The Organization derives revenue from individual government contracts. Future revenue granted under these contracts is dependent upon continued government support and is subject to the risk of changes or cancellations in program funding.

NOTE 11 SAVINGS PLAN AND TRUST

BHS maintains a 401(k) plan for the benefit of all employees. BHS made a 2% matching contribution of \$10,311 and \$11,151, for the years ended December 31, 2013 and 2012, respectively.

NOTE 12 ENDOWMENT

The Organization's endowment consists of various donor-restricted endowment funds established to provide income to the operations of BHS. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument are classified as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees

Endowment Net Asset Composition and Changes in Endowment Net Assets

The endowment net asset composition by type of fund is as follows for December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 163,155	\$ 389,863	\$ 553,018
Board designated endowment funds	983,402	-	-	983,402
Total funds	<u>\$ 983,402</u>	<u>\$ 163,155</u>	<u>\$ 389,863</u>	<u>\$1,536,420</u>

BETHANY HOUSE SERVICES, INC.

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 12 ENDOWMENT (Continued)

Endowment Net Asset Composition and Changes in Endowment Net Assets (Continued)

The endowment net asset composition by type of fund is as follows for December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 162,915	\$ 254,163	\$ 417,078
Board designated endowment funds	699,434	-	-	699,434
Total funds	\$ 699,434	\$ 162,915	\$ 254,163	\$ 1,116,512

The changes in endowment and board designated net assets for the year ended December 31, 2013 and 2012 were as follows:

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 699,434	\$ 162,915	\$ 254,163	\$1,116,512
Interest and dividend income	47,971	-	-	47,971
Realized and unrealized gain on investment	162,874	-	-	162,874
Contributions of cash from donors	80,006	240	135,700	215,946
Investment fees	(6,883)	-	-	(6,883)
Endowment net assets at end of year	\$ 983,402	\$ 163,155	\$ 389,863	\$1,536,420
2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 488,662	\$ 3,000	\$ 254,163	\$ 745,825
Interest and dividend income	26,401	-	-	26,401
Realized and unrealized gain on investment	74,179	-	-	74,179
Distribution of cash proceeds from sale of investments	115,250	159,915	-	275,165
Investment fees	(5,058)	-	-	(5,058)
Endowment net assets at end of year	\$ 699,434	\$ 162,915	\$ 254,163	\$1,116,512

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide for long-term growth of assets sufficient to preserve the real purchasing power of the principal of its endowments. The return objective shall be accomplished using a balanced strategy of cash equivalents, equities and mutual funds. The performance objectives will be measured against appropriate industry benchmarks such as the S&P 500 Index and Lehman Brothers Government/Corporate Intermediate Index.

BETHANY HOUSE SERVICES, INC.

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 12 ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year five percent of its previous twelve quarter moving average endowment fund balance and additional amounts at the discretion of the Board of Directors. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur into the distant future. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 13 LINE OF CREDIT

The Organization has \$450,000 available from a bank line of credit opened in 2013. There was no outstanding balance at December 31, 2013. The line of credit bears interest at an annual rate equal to prime rate plus 1.0% (prime rate 3.25% at December 31, 2013). The line of credit is secured by the investment account of the Organization.

SUPPLEMENTARY INFORMATION

BETHANY HOUSE SERVICES, INC.

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013**

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	CFDA Number	Expenditures
Supportive Housing Program	14.235	\$ 647,764
Emergency Solutions Grants Program (Pass-through City of Cincinnati)	14.231	43,097
(ARRA) - Homeless Prevention and Rapid Re-housing Program Technical Assistance	14.262	<u>446,757</u>
Total U.S. Department of Housing and Urban Development		1,137,618
U.S. DEPARTMENT OF HOMELAND SECURITY		
Emergency Food and Shelter National Board Program	97.024	<u>33,570</u>
Total U.S. Department of Homeland Security		<u>33,570</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,171,188</u></u>

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bethany House Services, Inc. ("the Organization") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
2. The Organization provided no federal awards to subrecipients.

BETHANY HOUSE SERVICES, INC.

**Schedule of Expenditures of State Awards
Year Ended December 31, 2013**

<u>OHIO DEPARTMENT OF DEVELOPMENT</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Homeless Assistance Grant Program	H-06-705-01	\$ 112,500
Total Expenditures of State Awards		<u>\$ 112,500</u>



**INDEPENDENT AUDITORS' 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**

To the Board of Directors
Bethany House Services, Inc.
Cincinnati, Ohio 45214

We have audited, in accordance with the 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 consolidated financial statements of Bethany House Services, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 2, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Bethany House Services, 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bethany House Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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 a 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 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 that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bethany House Services, Inc.'s consolidated financial statements are free from 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*.

OHIO OFFICE: 150 East Fourth Street | Cincinnati, OH 45202 | Phone: (513) 241-8313 | Fax: (513) 241-8303
KENTUCKY OFFICE: 2617 Legends Way | Crestview Hills, KY 41017 | Phone: (859) 344-6400 | Fax: (859) 578-7522

**INDEPENDENT AUDITORS' 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
(Continued)**

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 results 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.

Barnes, Dunning & Co., Ltd.

July 2, 2014
Crestview Hills, KY



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Bethany House Services, Inc.
Cincinnati, Ohio 45214

Report on Compliance for Each Major Federal Program

We have audited Bethany House Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bethany House Services, Inc.'s major federal programs for the year ended December 31, 2013. Bethany House Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bethany House Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bethany House Services, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bethany House Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Bethany House Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of Bethany House Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bethany House Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bethany House Services, Inc.'s internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Continued)**

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Burns, Donning & Co., Ltd.

July 2, 2014
Crestview Hills, KY

BETHANY HOUSE SERVICES, INC.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of Major Programs

CFDA No.	Name of Federal Programs or Clusters
14.262	ARRA Homeless Prevention and Rapid Rehousing
14.235	Supportive Housing Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings

No matters are reportable

Section III – Federal Award Findings and Questioned Costs

No matters are reportable

BETHANY HOUSE SERVICES, INC.

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2013**

Reference Number	Summary of Finding	Status
No matters are reportable		

BETHANY HOUSE SERVICES, INC.

**Consolidating Statement of Financial Position
December 31, 2013**

	<u>Bethany House Services, Inc.</u>	<u>Bethany Homes, Inc.</u>	<u>Bethany Homes LP</u>	<u>Eliminations and Adjustments</u>	<u>Consolidated</u>
Assets					
Current:					
Cash and cash equivalents	\$ 272,231	\$ -	\$ 35,372	\$ -	\$ 307,603
Accounts receivable	18,120	-	11,649	(2,955)	26,814
Pledges receivable	154,922	-	-	-	154,922
Grants receivable	177,287	-	-	-	177,287
Prepaid expenses and other assets	19,022	-	585	-	19,607
Total current assets	641,582	-	47,606	(2,955)	686,233
Property and equipment, net	527,045	-	208,160	-	735,205
Investments:					
Marketable securities	1,536,420	-	-	-	1,536,420
Investments in subsidiary	74,010	-	-	(74,010)	-
Limited partnership investment	-	64,971	-	(64,971)	-
Total investments	1,610,430	64,971	-	(138,981)	1,536,420
Other:					
Deposits	944	-	-	-	944
Pledges receivable - long term	110,707	-	-	-	110,707
Interest receivable	128,750	-	-	(128,750)	-
Note receivable - limited partnership	85,000	-	-	(85,000)	-
Total other assets	325,401	-	-	(213,750)	111,651
Total assets	<u>\$ 3,104,458</u>	<u>\$ 64,971</u>	<u>\$ 255,766</u>	<u>\$ (355,686)</u>	<u>\$ 3,069,509</u>
Liabilities and Net Assets					
Liabilities					
Current:					
Notes payable-affiliate	\$ -	\$ -	\$ 85,000	\$ (85,000)	\$ -
Accounts payable	35,905	3,192	6,241	(2,955)	42,383
Accrued expenses	69,550	-	128,750	(128,750)	69,550
Tenant deposits	-	-	6,150	-	6,150
Total current liabilities	105,455	3,192	226,141	(216,705)	118,083
Long-term debt	-	-	-	-	-
Total liabilities	105,455	3,192	226,141	(216,705)	118,083
Net Assets					
Unrestricted	2,180,356	61,779	-	(74,010)	2,168,125
Temporarily restricted	256,252	-	-	-	256,252
Permanently restricted	562,395	-	-	-	562,395
General partner	-	-	64,971	(64,971)	-
Limited partner	-	-	(35,346)	-	(35,346)
Total net assets	2,999,003	61,779	29,625	(138,981)	2,951,426
Total liabilities and net assets	<u>\$ 3,104,458</u>	<u>\$ 64,971</u>	<u>\$ 255,766</u>	<u>\$ (355,686)</u>	<u>\$ 3,069,509</u>

See independent accountants review report on supplementary financial information

BETHANY HOUSE SERVICES, INC.

**Consolidating Statement of Activities
Year Ended December 31, 2013**

	<u>Bethany House Services, Inc.</u>	<u>Bethany Homes, Inc.</u>	<u>Bethany Homes LP</u>	<u>Eliminations and Adjustments</u>	<u>Consolidated</u>
Public support and revenues					
Public support:					
Contributions	\$ 132,093	\$ -	\$ -	\$ -	\$ 132,093
Campaign income	52,792	-	-	-	52,792
Special events	214,165	-	-	-	214,165
Less direct benefit costs	(60,360)	-	-	-	(60,360)
Churches and other religious organizations	23,386	-	-	-	23,386
Foundations	179,864	-	-	-	179,864
Donated facilities, materials and services	94,423	-	-	-	94,423
Total public support	<u>2,438,412</u>	<u>-</u>	<u>-</u>	<u>(1,802,049)</u>	<u>636,363</u>
Revenues:					
Rental agent and other fees	12,915	-	110,550	(12,000)	111,465
Government grants	1,290,813	-	-	-	1,290,813
Miscellaneous income	6,623	-	8,037	-	14,660
Interest income	4,434	-	8	(4,250)	192
Total revenues	<u>1,314,785</u>	<u>-</u>	<u>118,595</u>	<u>(16,250)</u>	<u>1,417,130</u>
Total public support and revenues	3,753,197	-	118,595	(1,818,299)	2,053,493
Less amounts paid to subrecipients under Family Housing Partnership	<u>(184,167)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184,167)</u>
Total public support and revenues, net of amounts paid to subrecipients	<u>3,569,030</u>	<u>-</u>	<u>118,595</u>	<u>(1,818,299)</u>	<u>1,869,326</u>
Expenses					
Program services	1,601,445	-	123,536	(16,250)	1,708,731
Management and general	167,322	49	-	(49)	167,322
Fundraising	153,626	-	-	-	153,626
Total expenses	<u>1,922,393</u>	<u>49</u>	<u>123,536</u>	<u>(16,299)</u>	<u>2,029,679</u>
Increase (decrease) in net assets before return on investments	1,646,637	(49)	(4,941)	(1,802,000)	(160,353)
Investment income	<u>210,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,845</u>
Increase (decrease) in net assets	55,433	(49)	(4,941)	49	50,492
Net assets, beginning of year	<u>2,943,570</u>	<u>61,828</u>	<u>34,566</u>	<u>(139,030)</u>	<u>2,900,934</u>
Net assets, end of year	<u>\$ 2,999,003</u>	<u>\$ 61,779</u>	<u>\$ 29,625</u>	<u>\$ (138,981)</u>	<u>\$ 2,951,426</u>

See independent accountants review report on supplementary financial information

BETHANY HOUSE SERVICES, INC.

**Consolidating Statement of Financial Position
Year Ended December 31, 2012**

	<u>Bethany House Services, Inc.</u>	<u>Bethany Homes, Inc.</u>	<u>Bethany Homes LP</u>	<u>Eliminations and Adjustments</u>	<u>Consolidated</u>
Assets					
Current:					
Cash and cash equivalents	\$ 378,906	\$ -	\$ 35,633	\$ -	\$ 414,539
Accounts receivable	12,453	-	8,726	(2,955)	18,224
Pledges receivable	233,098	-	-	-	233,098
Grants receivable	310,206	-	-	-	310,206
Prepaid expenses and other assets	9,844	-	585	-	10,429
Total current assets	944,507	-	44,944	(2,955)	986,496
Property and equipment, net	540,349	-	215,279	-	755,628
Investments:					
Marketable securities	1,116,512	-	-	-	1,116,512
Investments in subsidiary	74,010	-	-	(74,010)	-
Limited partnership investment	-	65,020	-	(65,020)	-
Total investments	1,190,522	65,020	-	(139,030)	1,116,512
Other:					
Deposits	944	-	-	-	944
Pledges receivable - long term	202,622	-	-	-	202,622
Interest receivable	124,500	-	-	(124,500)	-
Note receivable - limited partnership	85,000	-	-	(85,000)	-
Total other assets	413,066	-	-	(209,500)	203,566
Total assets	<u>\$ 3,088,444</u>	<u>\$ 65,020</u>	<u>\$ 260,223</u>	<u>\$ (351,485)</u>	<u>\$ 3,062,202</u>
Liabilities and Net Assets					
Liabilities					
Current:					
Note payable - affiliate	\$ -	\$ -	\$ 85,000	\$ (85,000)	\$ -
Accounts payable	66,111	3,192	7,007	(2,955)	73,355
Accrued expenses	78,763	-	124,500	(124,500)	78,763
Tenant deposits	-	-	9,150	-	9,150
Current portion long-term debt	-	-	-	-	-
Total current liabilities	144,874	3,192	225,657	(212,455)	161,268
Long-term debt	-	-	-	-	-
Total liabilities	144,874	3,192	225,657	(212,455)	161,268
Net Assets					
Unrestricted	2,090,772	61,828	-	(74,010)	2,078,590
Temporarily restricted	290,403	-	-	-	290,403
Permanently restricted	562,395	-	-	-	562,395
General partner	-	-	65,020	(65,020)	-
Limited partner	-	-	(30,454)	-	(30,454)
Total net assets	2,943,570	61,828	34,566	(139,030)	2,900,934
Total liabilities and net assets	<u>\$ 3,088,444</u>	<u>\$ 65,020</u>	<u>\$ 260,223</u>	<u>\$ (351,485)</u>	<u>\$ 3,062,202</u>

See independent accountants review report on supplementary financial information

BETHANY HOUSE SERVICES, INC.

**Consolidating Statement of Activities
Year Ended December 31, 2012**

	Bethany House Services, Inc.	Bethany Homes, Inc.	Bethany Homes LP	Eliminations and Adjustments	Consolidated
Public support and revenues					
Public support:					
Contributions	\$ 81,268	\$ -	\$ -	\$ -	\$ 81,268
Campaign income	57,956	-	-	-	57,956
Special events	223,300	-	-	-	223,300
Less direct benefit costs	(53,759)	-	-	-	(53,759)
Churches and other religious organizations	27,984	-	-	-	27,984
Foundations	309,445	-	-	-	309,445
Donated facilities, materials and services	98,902	-	-	-	98,902
Total public support	745,096	-	-	-	745,096
Revenues:					
Rental agent and other fees	13,471	-	121,392	(12,000)	122,863
Government grants	1,582,499	-	-	-	1,582,499
Cancellation of debt income	-	-	861,418	-	861,418
Miscellaneous income	200	9,918	8,965	(9,918)	9,165
Interest income	6,322	-	8	(4,250)	2,080
Total revenues	1,602,492	9,918	991,783	(26,168)	2,578,025
Total public support and revenues	2,347,588	9,918	991,783	(26,168)	3,323,121
Less amounts paid to subrecipients under Family Housing Partnership	(175,860)	-	-	-	(175,860)
Total public support and revenues, net of amounts paid to subrecipients	2,171,728	9,918	991,783	(26,168)	3,147,261
Expenses					
Program services	1,805,135	-	138,638	(16,250)	1,927,523
Management and general	122,113	1,387	-	(1,387)	122,113
Fundraising	177,567	-	-	-	177,567
Total expenses	2,104,815	1,387	138,638	(17,637)	2,227,203
Increase (decrease) in net assets before return on investments	66,913	8,531	853,145	(8,531)	920,058
Investment income	100,580	-	-	-	100,580
Increase (decrease) in net assets	167,493	8,531	853,145	(8,531)	1,020,638
Net assets, beginning of year	2,776,077	53,297	(818,579)	(130,499)	1,880,296
Net assets, end of year	\$ 2,943,570	\$ 61,828	\$ 34,566	\$ (139,030)	\$ 2,900,934

See independent accountants review report on supplementary financial information