

Bethany House Services, Inc.

**Financial Statements with Supplementary Information
December 31, 2020 with
Summarized Comparative Totals for December 31, 2019, and
Independent Auditors' Report**

BETHANY HOUSE SERVICES, INC.
December 31, 2020
With Summarized Comparative Totals for December 31, 2019

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Bethany House Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bethany House Services, Inc. as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report
(Continued)**

Report on Summarized Comparative Information

We have previously audited the Bethany House Services, Inc. 2019 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 April 1, 2021, 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.



April 1, 2021
Crestview Hills, Kentucky

BETHANY HOUSE SERVICES, INC.

**Statement of Financial Position
December 31, 2020 with Summarized Comparative Totals for December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Assets				
Current:				
Cash and cash equivalents	\$ 833,629	\$ 4,032,191	\$ 4,865,820	\$ 1,584,294
Pledges receivable	-	1,742,017	1,742,017	7,765
Grants receivable	580,551	62,153	642,704	477,979
Prepaid expenses and other	19,818	-	19,818	12,528
Total current assets	1,433,998	5,836,361	7,270,359	2,082,566
Pledges receivable, net of current portion	-	2,536,345	2,536,345	975,778
Property and equipment, net	1,511,628	-	1,511,628	1,327,511
Investments	1,773,373	661,391	2,434,764	2,211,509
Total assets	<u>\$ 4,718,999</u>	<u>\$ 9,034,097</u>	<u>\$ 13,753,096</u>	<u>\$ 6,597,364</u>
Liabilities and Net Assets				
Liabilities				
Current:				
Accounts payable	\$ 120,770	\$ -	\$ 120,770	\$ 49,512
Accrued expenses	178,596	-	178,596	143,677
Refundable advances	-	-	-	75,122
Tenant deposits	13,694	-	13,694	12,944
Line of credit	-	-	-	175,000
Total current liabilities	313,060	-	313,060	456,255
Mortgage note payable	500,000	-	500,000	500,000
Total liabilities	813,060	-	813,060	956,255
Net Assets	3,905,939	9,034,097	12,940,036	5,641,109
Total liabilities and net assets	<u>\$ 4,718,999</u>	<u>\$ 9,034,097</u>	<u>\$ 13,753,096</u>	<u>\$ 6,597,364</u>

See accompanying notes to financial statements

BETHANY HOUSE SERVICES, INC.

Statement of Activities

Year Ended December 31, 2020 with Summarized Comparative Totals for December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Public support				
Contributions	\$ 1,667,128	\$ 179,421	\$ 1,846,549	\$ 944,615
Capital campaign contributions for new shelter building	-	6,365,848	6,365,848	2,258,653
Special events	135,125	-	135,125	172,840
Less direct benefit costs	(16,123)	-	(16,123)	(22,267)
Donated materials and services	94,819	-	94,819	104,797
Total public support	1,880,949	6,545,269	8,426,218	3,458,638
Revenues				
Rental agent and other fees	195,367	-	195,367	179,043
Government grants and other contracts	4,623,576	-	4,623,576	3,636,540
Miscellaneous income	189,264	-	189,264	61,135
Total revenues	5,008,207	-	5,008,207	3,876,718
Net assets released from restrictions	392,642	(392,642)	-	-
Total public support and revenues	7,281,798	6,152,627	13,434,425	7,335,356
Expenses				
Program services	5,825,003	-	5,825,003	4,811,618
Management and general	320,548	-	320,548	308,315
Fundraising	618,385	-	618,385	456,710
Total expenses	6,763,936	-	6,763,936	5,576,643
Change in net assets before other items	517,862	6,152,627	6,670,489	1,758,713
Non-operating revenues				
Investment return, net	133,411	54,227	187,638	347,448
Gain on debt extinguishment	440,800	-	440,800	-
Change in net assets	1,092,073	6,206,854	7,298,927	2,106,161
Net assets, beginning of year	2,813,866	2,827,243	5,641,109	3,534,948
Net assets, end of year	\$ 3,905,939	\$ 9,034,097	\$ 12,940,036	\$ 5,641,109

See accompanying notes to financial statements

BETHANY HOUSE SERVICES, INC.

Statement of Functional Expenses Year Ended December 31, 2020 with Summarized Comparative Totals for December 31, 2019

	Program Services							Supporting Services				Total	
	Shelter	Rapid Rehousing	Family Shelter Partnership	Aftercare	Shelter Diversion	Permanent Housing	Permanent Supportive Housing	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Total	
												2020	2019
Salaries	\$ 747,436	\$ 562,568	\$ 177,331	\$ 26,947	\$ 65,777	\$ 373	\$ 105,488	\$ 1,685,920	\$ 186,951	\$ 282,660	469,611	\$ 2,155,531	\$ 1,959,133
Employee benefits	70,032	50,096	14,973	2,384	5,713	32	9,324	152,554	16,797	25,360	42,157	194,711	173,900
Payroll taxes	63,215	71,273	21,587	7,026	9,015	7	10,526	182,649	16,120	22,153	38,273	220,922	176,009
Total salaries and related expenses	880,683	683,937	213,891	36,357	80,505	412	125,338	2,021,123	219,868	330,173	550,041	2,571,164	2,309,042
Specific assistance to individuals	572,968	1,911,360	-	17,208	5,698	1,000	281,228	2,789,462	-	-	-	2,789,462	1,952,136
Professional fees	11,687	9,836	2,675	977	1,936	22,410	1,904	51,425	28,481	231,954	260,435	311,860	246,354
Maintenance and repairs	68,912	20,148	4,881	1,979	2,127	119,514	4,547	222,108	19,193	18,480	37,673	259,781	198,477
Rent	141,411	-	-	-	-	-	-	141,411	-	-	-	141,411	202,584
Support contracts	15,909	9,452	96,733	400	2,800	-	2,538	127,832	-	-	-	127,832	67,065
Food	126,922	-	-	-	-	-	-	126,922	-	-	-	126,922	160,771
Equipment/Supplies	81,052	8,358	1,611	230	2,255	1,573	2,026	97,105	9,276	1,676	10,952	108,057	102,753
Utilities	46,441	3,116	-	323	370	31,618	668	82,536	6,203	-	6,203	88,739	93,080
Insurance	18,664	9,114	3,472	868	868	-	2,170	35,156	4,340	3,906	8,246	43,402	40,379
Telephone	16,804	8,856	2,559	540	1,393	2,155	2,304	34,611	4,900	2,780	7,680	42,291	41,087
Printing	-	-	-	-	-	-	-	-	6,872	15,646	22,518	22,518	29,269
Miscellaneous	1,867	1,286	343	87	137	514	307	4,541	10,866	5,904	16,770	21,311	11,943
Travel and conferences	4,047	7,498	4,136	1,431	378	5	1,079	18,574	1,903	752	2,655	21,229	33,550
Staff professional fees	6,989	3,961	848	190	347	-	734	13,069	2,941	1,409	4,350	17,419	17,509
Total expenses before depreciation	1,994,356	2,676,922	331,149	60,590	98,814	179,201	424,843	5,765,875	314,843	612,680	927,523	6,693,398	5,505,999
Depreciation	26,241	10,268	4,563	1,141	1,141	13,492	2,282	59,128	5,705	5,705	11,410	70,538	70,644
Total expenses	\$ 2,020,597	\$ 2,687,190	\$ 335,712	\$ 61,731	\$ 99,955	\$ 192,693	\$ 427,125	\$ 5,825,003	\$ 320,548	\$ 618,385	\$ 938,933	\$ 6,763,936	\$ 5,576,643

See accompanying notes to financial statements

BETHANY HOUSE SERVICES, INC.

Statement of Cash Flows Year Ended December 31, 2020 with Summarized Comparative Totals for December 31, 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 7,298,927	\$ 2,106,161
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	70,538	70,644
Loss on disposal of property and equipment	-	8,328
Net realized and unrealized gains on investments	(145,470)	(298,868)
Gain on debt extinguishment	(440,800)	-
Contributions restricted for capital campaign	(6,365,848)	(2,258,653)
Changes in:		
Pledges receivable, net	(9,503)	26,505
Grants receivable, net	(164,725)	(128,142)
Prepaid expenses and other	(7,290)	28,214
Accounts payable	14,103	7,208
Accrued expenses	34,919	24,707
Refundable advances	(75,122)	22,548
Tenant deposits	750	(1,725)
Net cash provided by (used in) operating activities	210,479	(393,073)
Cash flows from investing activities		
Proceeds from disposal of property and equipment	-	31,013
Purchases of property and equipment	(197,500)	(47,181)
Proceeds from sale of investments	911,071	498,192
Purchases of investments	(988,856)	(441,999)
Net cash provided by (used in) investing activities	(275,285)	40,025
Cash flows from financing activities		
Borrowings on line of credit	-	175,000
Proceeds from non-interest bearing mortgage note	-	500,000
Principal payments on mortgage payable	-	(596,025)
Payments on line of credit	(175,000)	-
Proceeds from contributions restricted for capital campaign	3,080,532	1,282,875
Proceeds from Paycheck Protection Program loan	440,800	-
Net cash provided by investing activities	3,346,332	1,361,850
Net change in cash and cash equivalents	3,281,526	1,008,802
Cash and cash equivalents, beginning of year	1,584,294	575,492
Cash and cash equivalents, end of year	\$ 4,865,820	\$ 1,584,294
Supplemental Cash Flow Information		
Interest paid	\$ 3,135	\$ 56,869
Property and equipment purchases in accounts payable	\$ 57,155	\$ -

See accompanying notes to financial statements

BETHANY HOUSE SERVICES, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Operations

Bethany House Services, Inc. (BHS) is the largest provider of emergency shelter and HUD housing programs for families experiencing homelessness in Hamilton County. Comprehensive, family-centered services begin with emergency assistance and case management for eligible families to prevent homelessness. For families who have lost housing, BHS provides emergency shelter, assistance finding jobs and housing, and life skills education. Continued case management and rental assistance is provided for families entering HUD housing programs. Families continue to receive services after they leave the emergency shelter and/or housing programs. BHS wrap-around services address each family's current needs and seek to prevent repeat episodes of homelessness.

In addition, BHS is the lead agency of the Family Housing Partnership (FHP), which is a collaboration of the four family shelters in Cincinnati—The Salvation Army, Interfaith Hospitality Network of Greater Cincinnati, and YWCA Greater Cincinnati. The FHP provides a coordinated, integrated approach to serving homeless families by collaborating with a network of community service providers. The goal of this collaboration is to improve the quality of services through professional development and advancing best practices across the family system, including shelter, housing, Trauma Informed Care, children's programming, and aftercare.

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

Financial Statement Presentation

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 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, 2019 from which the comparative information was derived.

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). BHS is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction, which have no donor-imposed restriction; and net assets with donor restriction which have donor-imposed restrictions that will expire in the future or do not expire.

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.

BETHANY HOUSE SERVICES, INC.

Notes to Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

BHS considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market deposit accounts. 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.

Pledges and Grants Receivable

Receivables are written off as uncollectible after BHS 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, 2020 and 2019 since BHS expects no material losses.

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 \$2,000.

In accordance with GAAP, BHS 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, BHS believes no impairments existed at December 31, 2020 and 2019.

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 net assets without donor restriction. Other investment return is reflected in the statements of activities net assets with donor restriction or net assets without donor restriction based upon the existence and nature of any donor or legally imposed restrictions.

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

Refundable Advances

Refundable advances represent cash advances received in excess of grant support earned.

BETHANY HOUSE SERVICES, INC.

Notes to Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Gifts of cash and other assets received without donor stipulations are reported as net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue without donor restrictions.

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

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenues when the conditions are substantially met and the gift becomes unconditional.

Government Grants and Other Contracts

Support funded by grants is recognized as BHS performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audits, adjustments could be required.

Contributed Materials and Services

Contributions of materials meeting the requirements for recognition have been recorded in the statement of activities as public support in-kind donations and in the 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. The expenses that are allocated include salaries and related expenses, which are allocated on the basis of time and effort. All other expenses are either direct or are allocated using full-time equivalent or square footage.

BETHANY HOUSE SERVICES, INC.

**Notes to Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

BHS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. However, BHS is subject to federal income tax on any unrelated business taxable income.

BHS's tax returns are subject to review and examination by federal, state and local authorities. BHS believes they have appropriate support for any tax positions taken, and therefore, do not have any uncertain income tax positions that are material to the financial statements.

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.

Subsequent Events

Subsequent events were considered through April 1, 2021, the date which the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents, without donor restrictions	\$ 833,629	\$ 449,314
Other pledges receivable, due within one year	17,268	7,765
Grants receivable	<u>642,704</u>	<u>477,979</u>
	<u>\$ 1,493,601</u>	<u>\$ 935,058</u>

BHS's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.2 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market deposit accounts. BHS has a \$750,000 line of credit available to meet cash flow needs. In addition, BHS has a board-designated endowment which is available for general expenditure with Board approval. BHS monitors cash flow monthly.

BETHANY HOUSE SERVICES, INC.

**Notes to Financial Statements
(Continued)**

NOTE 3 NET ASSETS

Net assets with donor restrictions as of December 31 consisted of the following:

	2020	2019
Restricted for use in subsequent years:		
United Way allocation	\$ 62,153	\$ 69,600
Capital campaign pledges for new shelter	4,261,094	975,778
Other pledges	17,268	7,765
Restricted as to purpose:		
Capital campaign for new shelter	3,954,923	1,101,347
Children's programming	43,586	17,633
Materials for therapeutic sessions	21,490	-
Bethany Homes apartments	12,192	16,000
Endowments:		
Endowment earnings not yet appropriated for expenditure	94,028	71,757
Endowment funds (original corpus) required to be maintained in perpetuity	567,363	567,363
	<u>\$ 9,034,097</u>	<u>\$ 2,827,243</u>

Net assets without donor restrictions as of December 31 consisted of the following:

	2020	2019
Undesignated	\$ 2,234,136	\$ 1,241,477
Board-designated endowment	1,671,803	1,572,389
	<u>\$ 3,905,939</u>	<u>\$ 2,813,866</u>

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable at December 31 consisted of the following:

	2020	2019
Due within one year	\$ 1,742,017	\$ 7,765
Due in one to five years	2,370,501	500,000
Due in more than five years	300,000	500,000
	4,412,518	1,007,765
Less unamortized discount	(134,156)	(24,222)
	<u>\$ 4,278,362</u>	<u>\$ 983,543</u>

Discount rates ranged from 0.110% to 1.410% for 2020 and 1.635% for 2019.

BETHANY HOUSE SERVICES, INC.

Notes to Financial Statements (Continued)

NOTE 5 INVESTMENTS AT FAIR VALUE

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

	<u>2020</u>	<u>2019</u>
Level 1:		
Fixed income mutual funds	\$ 780,893	\$ 531,276
Equity mutual funds	1,194,383	1,098,318
Alternative strategy mutual funds	-	183,560
Common stock	420,670	344,128
Level 2:		
Money market funds	<u>38,818</u>	<u>54,227</u>
	<u><u>\$ 2,434,764</u></u>	<u><u>\$ 2,211,509</u></u>

Fair values for fixed income, equity, and other mutual funds and common stock are determined by reference to quoted market prices. Fair value for money market funds is determined based on the value of underlying securities. There were no investments measured using level 3 inputs.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 292,256	\$ 292,256
Buildings and improvements	1,840,456	1,802,437
Furniture, equipment and vehicles	246,810	246,810
Construction in progress	216,638	-
Less accumulated depreciation	<u>(1,084,532)</u>	<u>(1,013,992)</u>
	<u><u>\$ 1,511,628</u></u>	<u><u>\$ 1,327,511</u></u>

NOTE 7 LINE OF CREDIT

BHS had a \$450,000 line of credit available from a bank that was set to expire in October 2020. The outstanding balance at December 31, 2019 was \$175,000. On May 1, 2020, BHS amended the line of credit to \$750,000, expiring on May 1, 2021. The outstanding balance at December 31, 2020 was \$-0-. The line of credit bears interest at an annual rate equal to prime rate minus 1.0% (prime rate 3.25% at December 31, 2020). The line of credit is secured by the investment account of BHS.

NOTE 8 MORTGAGE NOTE PAYABLE

BHS has a mortgage note with an outstanding balance of \$500,000 as of December 31, 2020 and 2019. The note is non-interest bearing to the City of Cincinnati and is due 10 years following the initial completion of the new shelter building (project). If the project is not completed within 5 years of July 22, 2019 (date of mortgage note), the full mortgage note is payable immediately. Following completion of the project, the mortgage note is forgivable over 10 years as long as the property continues to be used for the project's purpose. The note is secured by a mortgage on the property.

BETHANY HOUSE SERVICES, INC.

Notes to Financial Statements (Continued)

NOTE 9 PAYCHECK PROTECTION PROGRAM LOAN

On April 22, 2020, BHS qualified for and received a loan pursuant to the Paycheck Protection Program (the "Program"), a program implemented by the U.S. Small Business Administration (the "SBA") under the Coronavirus, Aid, Relief, and Economic Security's Act, from a qualified lender, for an aggregate principal amount of \$440,800 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.00% per annum, with the first ten months following the covered period of principal and interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the Program upon BHS's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Program, including payroll costs and covered utility payments incurred by the BHS.

BHS elected to apply the debt guidance pursuant to Accounting Standards Codification (ASC) 470 to recognize the loan. Prior to December 31, 2020, BHS applied for and received forgiveness from the SBA for the full PPP Loan amount. As such, BHS recognized the entire \$440,800 of debt forgiveness as a gain on debt extinguishment in 2020.

NOTE 10 DONATED MATERIALS AND SERVICES

BHS received in-kind donations of materials and supplies during 2020 and 2019 of \$94,819 and \$104,797, respectively.

In addition, a number of volunteers have donated significant amounts of time to BHS for services for which no value has been recorded in the financial statements. Total unrecorded volunteer hours were 8,857 for 2020 and 13,912 for 2019.

NOTE 11 GOVERNMENT GRANTS

BHS received the following government grants for the year ended December 31:

	<u>2020</u>	<u>2019</u>
US government agencies	\$ 4,164,609	\$ 3,182,899
Local government agencies	<u>373,479</u>	<u>361,038</u>
	<u>\$ 4,538,088</u>	<u>\$ 3,543,937</u>

NOTE 12 CONCENTRATION

BHS derives revenue from individual government grants. Future revenue granted under these grants is dependent upon continued government support and is subject to the risk of changes or cancellations in program funding. For 2020 and 2019, revenues from government grants were 33% and 48%, respectively, of total public support and revenues.

NOTE 13 RETIREMENT PLAN

BHS maintains a 401(k) plan for the benefit of all employees. BHS made a 2% matching contribution of \$27,554 and \$20,495 for the years ended December 31, 2020 and 2019, respectively.

BETHANY HOUSE SERVICES, INC.

**Notes to Financial Statements
(Continued)**

NOTE 14 ENDOWMENT

BHS's endowment consists of board-designated and 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 Directors 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 Directors of BHS 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. The original value of donated gifts to the donor-restricted endowment fund and the original value of subsequent gifts are classified as net assets with donor restrictions (a time restriction in perpetuity). Investment return from the donor-restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Board of Directors.

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, 2020:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment	\$ -	\$ 661,391	\$ 661,391
Board designated endowment	1,671,803	-	1,671,803
	<u>\$ 1,671,803</u>	<u>\$ 661,391</u>	<u>\$ 2,333,194</u>

The endowment net asset composition by type of fund is as follows for December 31, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment	\$ -	\$ 639,120	\$ 639,120
Board designated endowment	1,572,389	-	1,572,389
	<u>\$ 1,572,389</u>	<u>\$ 639,120</u>	<u>\$ 2,211,509</u>

BETHANY HOUSE SERVICES, INC.

Notes to Financial Statements (Continued)

NOTE 14 ENDOWMENT (CONTINUED)

The changes in endowment and board designated net assets for the year ended December 31, 2020 and 2019 were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - 12/31/18	\$ 1,401,471	\$ 567,363	\$ 1,968,834
Contributions	1,159	-	1,159
Investment return, net	247,323	100,125	347,448
Appropriated for expenditure	(77,564)	(28,368)	(105,932)
Endowment net assets - 12/31/19	<u>\$ 1,572,389</u>	<u>\$ 639,120</u>	<u>\$ 2,211,509</u>
Contributions	\$ 827	\$ -	\$ 827
Investment return, net	133,411	54,227	187,638
Appropriated for expenditure	(34,824)	(31,956)	(66,780)
Endowment net assets - 12/31/20	<u>\$ 1,671,803</u>	<u>\$ 661,391</u>	<u>\$ 2,333,194</u>

As of December 31, 2020, there was \$101,570 in investments that was not part of the endowment.

Return Objectives and Risk Parameters

BHS 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, with a targeted 65/35 split between equities and fixed income. The performance objectives will be measured against appropriate industry benchmarks.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, BHS 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). BHS 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

BHS has a policy of appropriating for distribution each year a maximum of five percent of its previous twelve quarter moving average endowment fund balance or the previous year's distribution increased by the Consumer Price Index and additional amounts at the discretion of the Board of Directors. In establishing this policy, BHS 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 BHS'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.

BETHANY HOUSE SERVICES, INC.

**Notes to Financial Statements
(Continued)**

NOTE 15 CONDITIONAL CONTRIBUTIONS

BHS has numerous grants for which the grantor agencies' promises to give are conditioned upon BHS incurring certain qualifying expenses under the grant programs. At December 31, 2020 and 2019, BHS had remaining available award balances on federal and local government conditional grants and contracts of \$1,965,135 and \$2,170,126, respectively. These award balances are not recognized as assets and will be recognized as revenue as the conditions are met, generally as qualifying expenses are incurred.

NOTE 16 RECENTLY ISSUED ACCOUNTING STANDARDS UPDATE

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for BHS's calendar year ending December 31, 2022.

BHS is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 17 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restricted measures have had a significant adverse impact upon many sectors of the economy, including the industries in which BHS operates.

COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on BHS's operations and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which BHS operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

SUPPLEMENTARY INFORMATION

BETHANY HOUSE SERVICES, INC.

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture				
<i>Passed through Ohio Department of Education:</i>				
Children and Adult Food Program	10.558	N/A	\$ -	\$ 58,406
Total U.S. Department of Agriculture			-	58,406
U.S. Department of Housing and Urban Development				
<i>Passed through Strategies to End Homelessness:</i>				
Continuum of Care Program	14.267	201928	-	176,201
Continuum of Care Program	14.267	201929	-	189,177
Continuum of Care Program	14.267	201930	-	305,922
Continuum of Care Program	14.267	201931	-	388,896
Continuum of Care Program	14.267	201932	-	99,439
Continuum of Care Program	14.267	201967	-	228,184
Continuum of Care Program	14.267	201971	-	229,510
Continuum of Care Program	14.267	20200248	-	90,671
Continuum of Care Program	14.267	20200303	-	252,453
Continuum of Care Program	14.267	20200461	-	309,190
Continuum of Care Program	14.267	20200472	-	333,947
Continuum of Care Program	14.267	20200542	-	216,337
Continuum of Care Program	14.267	20200604	-	262,642
Total CFDA 14.267			-	3,082,569
<i>Passed through Ohio Development Services Agency:</i>				
Emergency Solutions Grant Program	14.231	N-L-18-7KC-1	-	338,751
COVID-19 Emergency Shelter - CARES	14.231	N-L-20-7KC-4	-	5,763
			-	344,514
<i>Passed through Strategies to End Homelessness:</i>				
Emergency Solutions Grant Program	14.231	20203001	-	182,428
COVID-19 CARES STEH Hamilton County ESG-CV	14.231	20203051	-	160,442
COVID-19 CARES STEH Human Services	14.231	20203057	-	88,066
COVID-19 CARES STEH Human Services	14.231	20203058	-	9,554
COVID-19 CARES STEH Human Services	14.231	20203059	-	10,701
			-	451,191
Total CFDA 14.231			-	795,705
<i>Passed through Strategies to End Homelessness:</i>				
COVID-19 Hamilton County CARES	21.019	20208011	-	157,345
Total U.S. Department of Housing and Urban Development			-	4,035,619

See independent auditors' report on supplementary financial information

BETHANY HOUSE SERVICES, INC.

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020
(CONTINUED)**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Homeland Security				
<i>Passed through United Way of Greater Cincinnati:</i>				
Emergency Food and Shelter				
National Board Program	97.024	N/A	-	69,234
COVID-19 CARES National Board Program	97.024	N/A	-	64,194
Total U.S. Department of Homeland Security			-	133,428
Total Expenditures of Federal Awards			\$ -	\$ 4,227,453

See independent auditors' report on supplementary financial information

BETHANY HOUSE SERVICES, INC.

**Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

NOTE 1 BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of Bethany House Services, Inc. for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented on this schedule may differ from those amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

Bethany House Services, Inc. has elected to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

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 financial statements of Bethany House Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bethany House Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Bethany House Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bethany House Services, Inc.'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 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 financial statements. 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*.

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.



April 1, 2021
Crestview Hills, Kentucky

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2020.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE (CONTINUED)**

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 the Uniform Guidance, 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



April 1, 2021
Crestview Hills, Kentucky

BETHANY HOUSE SERVICES, INC.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2020**

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 2 CFR Section 200.516(a)? _____ Yes X No

Identification of Major Programs

CFDA No.	Name of Federal Programs or Clusters
14.267	Continuum of Care Program
14.231	Emergency Solutions Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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, 2020**

Reference Number	Summary of Finding	Status
No matters are reportable		