

# **Bethany House Services, Inc. and Subsidiary**

**Consolidated Financial Statements with Supplementary Information  
December 31, 2021 with  
Summarized Comparative Totals for December 31, 2020, and  
Independent Auditors' Report**

**BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**  
**December 31, 2021**  
**With Summarized Comparative Totals for December 31, 2020**

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## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Bethany House Services, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bethany House Services, Inc. and Subsidiary as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Bethany House Services, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bethany House Service's Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

#### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

**Independent Auditors' Report  
(Continued)**

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)***

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bethany House Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bethany House Services, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited the Bethany House Services, Inc. 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it was derived.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statement of financial position, consolidating statement of activities, and 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Independent Auditors' Report  
(Continued)**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2022 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 solely 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 effectiveness of the Bethany House Service, Inc.'s 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, Dennig & Co., Ltd.*

April 5, 2022  
Crestview Hills, Kentucky

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Consolidated Statement of Financial Position December 31, 2021 with Summarized Comparative Totals for December 31, 2020

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2021	2020
<b>Assets</b>				
Current:				
Cash and cash equivalents	\$ 6,487,263	\$ 5,775,676	\$ 12,262,939	\$ 4,865,820
Pledges receivable	-	1,088,361	1,088,361	1,742,017
Grants receivable	699,346	-	699,346	642,704
Prepaid expenses and other	30,648	-	30,648	19,818
Total current assets	7,217,257	6,864,037	14,081,294	7,270,359
Noncurrent assets:				
Pledges receivable, net	-	1,144,432	1,144,432	2,536,345
Investments - endowment and other	1,811,082	731,329	2,542,411	2,434,764
Property and equipment, net	8,093,391	-	8,093,391	1,511,628
Note receivable	12,557,900	-	12,557,900	-
Total assets	<u>\$ 29,679,630</u>	<u>\$ 8,739,798</u>	<u>\$ 38,419,428</u>	<u>\$ 13,753,096</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current:				
Accounts payable	\$ 1,281,877	\$ -	\$ 1,281,877	\$ 120,770
Accrued expenses	202,543	-	202,543	178,596
Refundable advances	73,435	-	73,435	-
Tenant deposits	14,844	-	14,844	13,694
Total current liabilities	1,572,699	-	1,572,699	313,060
Mortgage note payable	1,000,000	-	1,000,000	500,000
Notes payable, net	19,320,271	-	19,320,271	-
Total liabilities	21,892,970	-	21,892,970	813,060
<b>Net Assets</b>	<u>7,786,660</u>	<u>8,739,798</u>	<u>16,526,458</u>	<u>12,940,036</u>
Total liabilities and net assets	<u>\$ 29,679,630</u>	<u>\$ 8,739,798</u>	<u>\$ 38,419,428</u>	<u>\$ 13,753,096</u>

See accompanying notes to consolidated financial statements

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Consolidated Statement of Activities Year Ended December 31, 2021 with Summarized Comparative Totals for December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<b>Public support</b>				
Contributions	\$ 1,329,788	\$ 96,076	\$ 1,425,864	\$ 1,846,549
Capital campaign contributions for new shelter building	-	2,242,915	2,242,915	6,365,848
Special events	114,421	-	114,421	135,125
Less direct benefit costs	(17,269)	-	(17,269)	(16,123)
Donated materials and services	85,022	-	85,022	94,819
Total public support	1,511,962	2,338,991	3,850,953	8,426,218
<b>Revenues</b>				
Rental agent and other fees	222,188	-	222,188	195,367
Government grants and other contracts	5,877,509	-	5,877,509	4,623,576
Miscellaneous income	123,632	-	123,632	189,264
Total revenues	6,223,329	-	6,223,329	5,008,207
Net assets released from restrictions	2,736,298	(2,736,298)	-	-
Total public support and revenues	10,471,589	(397,307)	10,074,282	13,434,425
<b>Expenses</b>				
Program services	6,239,232	-	6,239,232	5,825,003
Management and general	516,775	-	516,775	320,548
Fundraising	595,697	-	595,697	618,385
Total expenses	7,351,704	-	7,351,704	6,763,936
<b>Change in net assets from operations</b>	3,119,885	(397,307)	2,722,578	6,670,489
<b>Non-operating revenues</b>				
Investment return, net	260,836	103,008	363,844	187,638
Gain on debt extinguishment	500,000	-	500,000	440,800
<b>Change in net assets</b>	3,880,721	(294,299)	3,586,422	7,298,927
<b>Net assets, beginning of year</b>	3,905,939	9,034,097	12,940,036	5,641,109
<b>Net assets, end of year</b>	<u>\$ 7,786,660</u>	<u>\$ 8,739,798</u>	<u>\$ 16,526,458</u>	<u>\$ 12,940,036</u>

See accompanying notes to consolidated financial statements

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Consolidated Statement of Functional Expenses Year Ended December 31, 2021 with Summarized Comparative Totals for December 31, 2020

	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	
												2021	2020
Salaries	\$ 870,750	\$ 608,577	\$ 160,287	\$ 40,632	\$ 97,298	\$ -	\$ 72,677	\$ 1,850,221	\$ 279,084	\$ 243,943	523,027	\$ 2,373,248	\$2,155,531
Employee benefits	75,202	51,989	12,987	3,398	7,926	-	6,302	157,804	26,006	21,300	47,306	205,110	194,711
Payroll taxes	109,282	81,243	28,772	6,432	14,182	-	7,937	247,848	24,622	17,438	42,060	289,908	220,922
<b>Total salaries and related expenses</b>	<b>1,055,234</b>	<b>741,809</b>	<b>202,046</b>	<b>50,462</b>	<b>119,406</b>	<b>-</b>	<b>86,916</b>	<b>2,255,873</b>	<b>329,712</b>	<b>282,681</b>	<b>612,393</b>	<b>2,868,266</b>	<b>2,571,164</b>
Specific assistance to individuals	922,136	1,801,818	-	94,033	-	627	283,441	3,102,055	-	-	-	3,102,055	2,789,462
Professional fees	15,354	8,075	2,601	698	709	25,047	1,872	54,356	56,313	248,703	305,016	359,372	311,860
Maintenance and repairs	54,093	24,173	6,641	2,215	2,343	120,573	6,175	216,213	36,076	16,854	52,930	269,143	259,781
Rent	133,795	-	-	-	-	-	-	133,795	-	-	-	133,795	141,411
Food	104,299	-	-	-	-	-	-	104,299	-	-	-	104,299	126,922
Equipment/Supplies	69,241	11,660	1,954	1,152	306	4,564	903	89,780	12,066	6,935	19,001	108,781	108,057
Utilities	24,501	3,265	-	338	373	26,965	700	56,142	3,197	-	3,197	59,339	88,739
Insurance	21,129	9,476	3,610	902	902	-	2,257	38,276	4,512	4,061	8,573	46,849	43,402
Support contracts	16,366	7,549	22,347	401	-	-	1,887	48,550	-	-	-	48,550	127,832
Telephone	16,035	10,750	2,718	1,119	1,695	1,400	2,292	36,009	6,408	2,141	8,549	44,558	42,291
Interest expense	-	-	-	-	-	-	-	-	37,881	-	37,881	37,881	-
Staff professional fees	8,123	2,881	968	226	182	-	582	12,962	13,595	1,549	15,144	28,106	17,419
Miscellaneous	8,662	799	195	56	57	277	129	10,175	10,426	6,576	17,002	27,177	21,311
Travel and conferences	9,154	7,772	4,058	1,210	367	-	1,506	24,067	1,330	185	1,515	25,582	21,229
Printing	-	-	-	-	-	-	-	-	227	20,980	21,207	21,207	22,518
<b>Total expenses before depreciation</b>	<b>2,458,122</b>	<b>2,630,027</b>	<b>247,138</b>	<b>152,812</b>	<b>126,340</b>	<b>179,453</b>	<b>388,660</b>	<b>6,182,552</b>	<b>511,743</b>	<b>590,665</b>	<b>1,102,408</b>	<b>7,284,960</b>	<b>6,693,398</b>
Depreciation	23,146	9,057	4,025	1,006	1,006	16,427	2,013	56,680	5,032	5,032	10,064	66,744	70,538
<b>Total expenses</b>	<b>\$ 2,481,268</b>	<b>\$ 2,639,084</b>	<b>\$ 251,163</b>	<b>\$153,818</b>	<b>\$127,346</b>	<b>\$195,880</b>	<b>\$390,673</b>	<b>\$ 6,239,232</b>	<b>\$ 516,775</b>	<b>\$ 595,697</b>	<b>\$1,112,472</b>	<b>\$ 7,351,704</b>	<b>\$6,763,936</b>

See accompanying notes to consolidated financial statements



## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Consolidated Statement of Cash Flows Year Ended December 31, 2021 with Summarized Comparative Totals for December 31, 2020

	2021	2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,586,422	\$ 7,298,927
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	66,744	70,538
Net realized and unrealized gains on investments	(255,277)	(145,470)
Gain on debt extinguishment	(500,000)	(440,800)
Contributions restricted for capital campaign	(2,242,915)	(6,365,848)
Changes in:		
Pledges receivable, net	(13,808)	(9,503)
Grants receivable	(56,642)	(164,725)
Prepaid expenses and other	(10,830)	(7,290)
Accounts payable	(19,963)	14,103
Accrued expenses	23,947	34,919
Refundable advances	73,435	(75,122)
Tenant deposits	1,150	750
Net cash provided by operating activities	652,263	210,479
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(5,467,437)	(197,500)
Proceeds from sale of investments	914,312	911,071
Purchases of investments	(766,682)	(988,856)
Issuance of note receivable	(12,557,900)	-
Net cash used in investing activities	(17,877,707)	(275,285)
<b>Cash flows from financing activities</b>		
Proceeds from non-interest bearing mortgage note	1,000,000	-
Proceeds from issuance of notes payable	20,640,271	-
Principal payments on notes payable	(1,320,000)	-
Payments on line of credit	-	(175,000)
Proceeds from contributions restricted for capital campaign	4,302,292	3,080,532
Proceeds from Paycheck Protection Program loan	-	440,800
Net cash provided by investing activities	24,622,563	3,346,332
<b>Net change in cash and cash equivalents</b>	7,397,119	3,281,526
<b>Cash and cash equivalents, beginning of year</b>	4,865,820	1,584,294
<b>Cash and cash equivalents, end of year</b>	\$ 12,262,939	\$ 4,865,820
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 102,271	\$ 3,135
Property and equipment purchases in accounts payable	\$ 1,181,070	\$ 57,155

See accompanying notes to consolidated financial statements

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated 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.

Bethany House Services Holding, Inc. (the Holding Company) is incorporated in the State of Ohio, designated as a not-for-profit corporation under section 501(c)(3) of the Internal Revenue Code and is exempt from federal, state and local income taxes. The Holding Company was organized exclusively for the purpose of holding title to real property, collecting income, and turning over the entire amount, less expenses, to BHS. BHS is the sole member of the Holding Company.

##### *Principles of Consolidation*

The consolidated financial statement include the accounts of Bethany House Services, Inc., and Bethany House Services Holding, Inc. (collectively, BHS). All significant inter-organizational balances and 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, 2020 from which the comparative information was derived.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Financial Statement Presentation (Continued)*

The consolidated 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.

##### *Cash and Cash Equivalents*

BHS considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, 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, 2021 and 2020 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, 2021 and 2020.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***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.

##### ***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.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***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.

##### ***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 consolidated financial statements.

##### ***Use of Estimates***

The preparation of consolidated 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 consolidated 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 5, 2022, the date which the consolidated financial statements were available to be issued.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### 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, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 12,262,939	\$ 4,865,820
Other pledges receivable, due within one year	31,076	17,268
Grants receivable	699,346	642,704
Less construction disbursement, asset management fee and interest reserve accounts	(9,660,989)	-
Less board-designated operating reserve	(500,000)	-
	\$ 2,832,372	\$ 5,525,792

BHS's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.8 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 (Note 7) 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.

#### NOTE 3 NET ASSETS

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

	2021	2020
Restricted for use in subsequent years:		
United Way allocation	\$ 31,076	\$ 62,153
Capital campaign pledges for new shelter	2,201,717	4,261,094
Other pledges	-	17,268
Restricted as to purpose:		
Capital campaign for new shelter	5,731,183	3,954,923
Children's programming	29,493	43,586
Materials for therapeutic sessions	-	21,490
Bethany Homes apartments	15,000	12,192
Endowments:		
Endowment earnings not yet appropriated for expenditure	163,966	94,028
Endowment funds (original corpus) required to be maintained in perpetuity	567,363	567,363
	\$ 8,739,798	\$ 9,034,097

**BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**

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

**NOTE 3 NET ASSETS (CONTINUED)**

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

	2021	2020
Undesignated	\$ 5,475,578	\$ 2,234,136
Board-designated endowment	1,811,082	1,671,803
Board-designated operating reserve	500,000	-
	\$ 7,786,660	\$ 3,905,939

**NOTE 4 PLEDGES RECEIVABLE**

Pledges receivable at December 31 consisted of the following:

	2021	2020
Due within one year	\$ 1,088,361	\$ 1,742,017
Due in one to five years	1,004,667	2,370,501
Due in more than five years	200,000	300,000
	2,293,028	4,412,518
Less unamortized discount	(60,235)	(134,156)
	\$ 2,232,793	\$ 4,278,362

Discount rates ranged from 0.110% to 1.410% for 2021 and 2020.

**NOTE 5 INVESTMENTS AT FAIR VALUE**

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

	2021	2020
<b>Level 1:</b>		
Fixed income mutual funds	\$ 762,927	\$ 780,893
Equity mutual funds	1,303,562	1,194,383
Common stock	405,075	420,670
<b>Level 2:</b>		
Money market funds	70,847	38,818
	\$ 2,542,411	\$ 2,434,764

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.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 858,072	\$ 292,256
Buildings and improvements	1,283,020	1,840,456
Furniture, equipment and vehicles	341,407	246,810
Construction in progress	6,721,302	216,638
Less accumulated depreciation	<u>(1,110,410)</u>	<u>(1,084,532)</u>
	<u>\$ 8,093,391</u>	<u>\$ 1,511,628</u>

#### NOTE 7 LINE OF CREDIT

BHS has a \$750,000 line of credit available from a bank that expires on May 1, 2022. The outstanding balance at December 31, 2021 and 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, 2021). The line of credit is secured by the investment account of BHS.

#### NOTE 8 MORTGAGE NOTES PAYABLE

BHS had a mortgage note with an outstanding balance of \$-0- and \$500,000 as of December 31, 2021 and 2020, respectively. The note was non-interest bearing to the City of Cincinnati and was due 10 years following the initial completion of the new shelter building (project). The note was secured by a mortgage on the property. During 2021, BHS was released from the mortgage note and the note was forgiven in full.

BHS has a mortgage note with an outstanding balance of \$1,000,000 as of December 31, 2021. The note is non-interest bearing to the City of Cincinnati and is due 5 years following August 6, 2021 (effective date of the mortgage note), and is forgivable in full upon completion of the project as long as the property continues to be used for the project's purpose. The note is secured by a mortgage on the property.

#### NOTE 9 NOTE RECEIVABLE AND NOTES PAYABLE

BHS financed the development and construction of its new shelter building through the New Market Tax Credit (NMTC) program. PNC New Markets Investment Partners, LLC contributed \$4,442,100 in Federal NMTC equity to BH Services Investment Fund, LLC (the Fund), an unaffiliated Delaware limited liability company. In conjunction with this equity investment, BHS made a loan totaling \$12,557,900 to the Fund. In turn, the Fund made three Qualifying Equity Investments (QEIs) in PNC CDE 121, LLC (sub-CDE 1), a Delaware limited liability company and community development entity (sub-CDE), Citywide Cincinnati Development Fund 38, LLC (sub-CDE 2), an Ohio limited liability company and sub-CDE, and New Markets Investment 135, LLC (sub-CDE 3), a Delaware limited liability company and sub-CDE. Sub-CDE 1, sub-CDE 2, and sub-CDE 3 made loans to the Holding Company for \$4,000,000, \$7,640,000, and \$4,800,000, respectively, which were used to finance the development and construction of its building project.



## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 9 NOTE RECEIVABLE AND NOTES PAYABLE (CONTINUED)

Note receivable and notes payable related to the NMTC program and other financing are as follows at December 31, 2021:

Notes receivable:

BH Services Investment Fund, LLC	<u>\$ 12,557,900</u>
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Notes payable:

PNC CDE 121, LLC	\$ 4,000,000
Citywide Cincinnati Development Fund 38, LLC	7,640,000
New Markets Investment 135, LLC	4,800,000
Fifth Third Bank National Association	3,380,000
Less debt issuance cost, net of amortization	<u>(499,729)</u>
	<u>\$ 19,320,271</u>

The note receivable held by BHS is due over 26 years and compounds annually at an interest rate of 1.31%. The Fund will pay BHS annual interest-only payments of \$41,096 on the outstanding balance for the first twenty-eight quarterly payments beginning in September 2021 through August 2028. The Fund begins to make quarterly principal and interest payments of \$186,904 beginning in September 2028 through maturity in August 2047.

The Holding Company's first note payable consists of two promissory notes, Note A and Note B, both of which have an interest rate of 1.00% and are payable to sub-CDE 1. Note A is for \$2,954,800 and is payable quarterly over 30 years on March 5, June 5, September 5, and December 5 of each year. Interest only payments are due from September 5, 2021 to June 5, 2028. Beginning on September 5, 2028, the Holding Company begins to make quarterly principal and interest payments of \$143,969 through maturity on August 9, 2051. Note B is for \$1,045,200 and is payable quarterly over 30 years on March 5, June 5, September 5, and December 5 of each year. Interest only payments are due from September 5, 2021 to June 5, 2028. Beginning on September 5, 2028, the Holding Company begins to make quarterly principal and interest payments of \$50,926 through maturity on August 9, 2051.

The Holding Company's second note payable consists of two promissory notes, Note A and Note B, both of which have an interest rate of 1.00% and are payable to sub-CDE 2. Note A is for \$5,909,600 and is payable quarterly over 30 years on March 5, June 5, September 5, and December 5 of each year. Interest only payments are due from September 5, 2021 to June 5, 2028. Beginning on September 5, 2028, the Holding Company begins to make quarterly principal and interest payments of \$287,938 through maturity on August 9, 2051. Note B is for \$1,730,400 and is payable quarterly over 30 years on March 5, June 5, September 5, and December 5 of each year. Interest only payments are due from September 5, 2021 to June 5, 2028. Beginning on September 5, 2028, the Holding Company begins to make quarterly principal and interest payments of \$84,312 through maturity on August 9, 2051.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 9 NOTES RECEIVABLE AND NOTES PAYABLE (CONTINUED)

The Holding Company's third note payable consists of two promissory notes, Note A and Note B, both of which have an interest rate of 1.00% and are payable to sub-CDE 3. Note A is for \$3,693,500 and is payable quarterly over 30 years on March 5, June 5, September 5, and December 5 of each year. Interest only payments are due from September 5, 2021 to June 5, 2028. Beginning on September 5, 2028, the Holding Company begins to make quarterly principal and interest payments of \$179,962 through maturity on August 9, 2051. Note B is for \$1,106,500 and is payable quarterly over 30 years on March 5, June 5, September 5, and December 5 of each year. Interest only payments are due from September 5, 2021 to June 5, 2028. Beginning on September 5, 2028, the Holding Company begins to make quarterly principal and interest payments of \$53,913 through maturity on August 9, 2051.

Total interest of \$64,390 associated with the notes payable discussed above has been capitalized as of December 31, 2021 and included in construction in progress.

Debt issuance costs consist of closing and financing costs totaling \$506,767 as of December 31, 2021. These costs are amortized using the straight-line method over the term of the notes. For the year ended December 31, 2021, amortization of the debt issuance costs in the amount of \$7,038 has been capitalized and included in construction in progress. Accumulated amortization as of December 31, 2021 totaled \$7,038.

After the seven-year NMTC period expires, it is anticipated that PNC New Markets Investment Partners, LLC will exercise its put option to sell its ownership interest in the Fund to BHS for a predetermined amount, or BHS will exercise its call option to buy PNC New Markets Investment Partners, LLC's ownership interest, at fair market value, and the Fund will be liquidated and its assets distributed to BHS. In conjunction with this event, sub-CDE 1, sub-CDE 2, and sub-CDE 3 will be liquidated and its assets distributed to the Fund. Immediately after the exit transactions are completed, BHS will be the holder of the Holding Company's notes payable and, as such, the loans will be eliminated in the consolidated financial statements. It is anticipated that the loans will be discharged.

The loan agreements also have various affirmative and negative covenants, including certain reporting requirements. BHS has pledged various assets as collateral for all loans.

#### ***Construction Disbursement Account***

Cash and cash equivalents include a construction disbursement account established for the loan proceeds to be used to fund the construction of the new shelter building. As of December 31, 2021, the construction disbursement account balance was \$9,086,222.

#### ***Asset Management Fee and Interest Reserve Accounts***

Cash and cash equivalents include three reserve accounts established for the Holding Company to pay annual asset management fees and interest incurred on its notes payable sub-CDE 1, sub-CDE 2, and sub-CDE 3 during the NMTC compliance period. The reserve accounts balances totaled to \$574,767 as of December 31, 2021.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 9 NOTES RECEIVABLE AND NOTES PAYABLE (CONTINUED)

##### *Other Financing*

BHS obtained one additional note providing total additional available financing of \$9,000,000 to assist in facilitating the construction project. Draws can be made on the note until January 31, 2023. On January 31, 2023, the draw note converts to a term note. Interest accrues on any unpaid balance at a rate equal to the Prime Rate less 1.26% (1.99% at December 31, 2021) and matures on August 5, 2026. The loan is secured by the general assets of BHS and personal guarantees obtained from private donors. All capital campaign pledge payments received by BHS from each guarantor are to be used to pay the principal balance outstanding under the term note within 60 days after such payments are received. The term note has certain non-financial covenants which must be met. \$4,700,000 was drawn against the term note and \$1,320,000 was repaid as of December 31, 2021.

#### NOTE 10 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 bore interest at a fixed rate of 1.00% per annum, with the first ten months following the covered period of principal and interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the Program upon BHS's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Program, including payroll costs and covered utility payments incurred by the BHS.

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

#### NOTE 11 LEASES

##### *Operating Leases*

BHS has a noncancellable operating lease agreement for equipment with an outside third party, expiring in May 2025. The lease expense for 2021 and 2020 was \$11,767 and \$11,429, respectively.

Future annual minimum lease payments at December 31, 2021 are as follows:

2022	\$	5,940
2023		5,940
2024		5,940
2025		2,475
		<hr/>
	\$	20,295

**BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**

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

**NOTE 11 LEASES (CONTINUED)**

***Related Party Lease***

The Holding Company has entered into a master lease agreement with BHS to lease the building commencing on September 1, 2022 and ending August 31, 2052. The lease payments are set forth in the master lease and are receivable (payable) in monthly installments during each lease year. Rental income (expense) will be recognized on a straight-line basis over the life of the lease. The difference between the straight-line income (expense) and the amount receivable (payable) in accordance with the lease terms will be recorded as an asset (liability) on the consolidated statement of financial position. The effect of recording on the straight-line basis will be eliminated upon consolidation.

***Related Party Lease (Continued)***

Pursuant to the master lease, future minimum rental receipts (payments) to be received in monthly installments from the master tenant over the next five years and thereafter are as follows:

2022	\$ 57,500
2023	172,500
2024	172,500
2025	172,500
2026	172,500
Thereafter	<u>20,668,167</u>
	<u>\$ 21,415,667</u>

**NOTE 12 DONATED MATERIALS AND SERVICES**

BHS received in-kind donations of materials and supplies during 2021 and 2020 of \$85,022 and \$94,819, 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 7,495 for 2021 and 8,857 for 2020.

**NOTE 13 RETIREMENT PLAN**

BHS maintains a 401(k) plan for the benefit of all employees. BHS made a 2% matching contribution of \$27,363 and \$27,554 for the years ended December 31, 2021 and 2020, respectively.

**BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**

**Notes to Consolidated 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, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ 731,329	\$ 731,329
Board designated endowment	1,811,082	-	1,811,082
	<u>\$ 1,811,082</u>	<u>\$ 731,329</u>	<u>\$ 2,542,411</u>

The endowment net asset composition by type of fund is as follows for December 31, 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
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>

**BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**

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

**NOTE 14 ENDOWMENT (CONTINUED)**

The changes in endowment and board designated net assets for the year ended December 31, 2021 and 2020 were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - 12/31/19	\$ 1,572,389	\$ 639,120	\$ 2,211,509
Contributions	827	-	827
Investment return, net	133,411	54,227	187,638
Appropriated for expenditure	<u>(34,824)</u>	<u>(31,956)</u>	<u>(66,780)</u>
Endowment net assets - 12/31/20	<u>\$ 1,671,803</u>	<u>\$ 661,391</u>	<u>\$ 2,333,194</u>
Investment return, net	\$ 191,596	\$ 103,008	\$ 294,604
Appropriated for expenditure	<u>(52,317)</u>	<u>(33,070)</u>	<u>(85,387)</u>
Endowment net assets - 12/31/21	<u>\$ 1,811,082</u>	<u>\$ 731,329</u>	<u>\$ 2,542,411</u>

***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. AND SUBSIDIARY

### Notes to Consolidated 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, 2021 and 2020, BHS had remaining available award balances on federal and local government conditional grants and contracts of \$2,831,428 and \$1,965,135, 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.

In addition, BHS has \$5,150,000 of conditional contributions associated with the capital campaign for the new shelter building. These award balances are not recognized as assets and will be recognized as revenue as the conditions are met, generally as campaign and construction milestones are met.

#### 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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. These include separate presentation in the statement of activities, disaggregation by type, policy and qualitative information about monetization and utilization, description of valuation techniques and inputs used to arrive at a fair value measure, and donor-imposed restrictions associated with the contributed nonfinancial assets. 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 these ASUs on the financial statements.

#### NOTE 17 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization 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. AND SUBSIDIARY**

**Consolidating Statement of Financial Position  
December 31, 2021**

	Bethany House Services, Inc.	Bethany House Services Holding, Inc.	Eliminations	Consolidated Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,601,850	\$ 9,661,089	\$ -	\$12,262,939
Pledges receivable	1,088,361	-	-	1,088,361
Grants receivable	699,346	-	-	699,346
Prepaid expenses and other	28,494	2,254	(100)	30,648
Total current assets	<u>4,418,051</u>	<u>9,663,343</u>	<u>(100)</u>	<u>14,081,294</u>
Noncurrent assets:				
Pledges receivable, net	1,144,432	-	-	1,144,432
Investments - endowment and other	2,542,411	-	-	2,542,411
Property and equipment, net	619,733	7,473,658	-	8,093,391
Notes receivable	12,557,900	-	-	12,557,900
Total assets	<u>\$21,282,527</u>	<u>\$17,137,001</u>	<u>\$ (100)</u>	<u>\$38,419,428</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 85,708	\$ 1,196,269	\$ (100)	\$ 1,281,877
Accrued expenses	202,543	-	-	202,543
Refundable advances	73,435	-	-	73,435
Tenant deposits	14,844	-	-	14,844
Total current liabilities	376,530	1,196,269	(100)	1,572,699
<b>Mortgage note payable</b>	1,000,000	-	-	1,000,000
<b>Notes payable, net</b>	3,380,000	15,940,271	-	19,320,271
Total liabilities	<u>4,756,530</u>	<u>17,136,540</u>	<u>(100)</u>	<u>21,892,970</u>
<b>Net Assets</b>				
Without donor restrictions	7,786,199	461	-	7,786,660
With donor restrictions	8,739,798	-	-	8,739,798
Total net assets	<u>16,525,997</u>	<u>461</u>	<u>-</u>	<u>16,526,458</u>
Total liabilities and net assets	<u>\$21,282,527</u>	<u>\$17,137,001</u>	<u>\$ (100)</u>	<u>\$38,419,428</u>

See independent auditors' report

**BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**

**Consolidating Statement of Activities  
For the Year Ended December 31, 2021**

	<u>Bethany House Services, Inc.</u>	<u>Bethany House Services Holding, Inc.</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>Public support</b>				
Contributions	\$ 1,425,864	\$ -	\$ -	\$ 1,425,864
Capital campaign contributions for new shelter building	2,242,915	-	-	2,242,915
Special events	114,421	-	-	114,421
Less direct benefit costs	(17,269)	-	-	(17,269)
Donated materials and services	85,022	-	-	85,022
	<u>3,850,953</u>	<u>-</u>	<u>-</u>	<u>3,850,953</u>
Total contributions, revenues and gains				
	<u>3,850,953</u>	<u>-</u>	<u>-</u>	<u>3,850,953</u>
<b>Revenues</b>				
Rental agent and other fees	222,188	-	-	222,188
Government grants and other contracts	5,877,509	-	-	5,877,509
Miscellaneous income	123,632	-	-	123,632
	<u>6,223,329</u>	<u>-</u>	<u>-</u>	<u>6,223,329</u>
Total revenues				
	<u>6,223,329</u>	<u>-</u>	<u>-</u>	<u>6,223,329</u>
Total public support and revenues	10,074,282	-	-	10,074,282
<b>Expenses</b>				
Program service	6,239,232	-	-	6,239,232
Management and general	516,775	-	-	516,775
Fundraising	595,697	-	-	595,697
	<u>7,351,704</u>	<u>-</u>	<u>-</u>	<u>7,351,704</u>
Total expenses				
	<u>7,351,704</u>	<u>-</u>	<u>-</u>	<u>7,351,704</u>
<b>Change in net assets from operations</b>	2,722,578	-	-	2,722,578
<b>Non-operating revenues</b>				
Investment return, net	363,383	461	-	363,844
Gain on debt extinguishment	500,000	-	-	500,000
	<u>863,383</u>	<u>461</u>	<u>-</u>	<u>863,844</u>
<b>Change in net assets</b>	3,585,961	461	-	3,586,422
<b>Net assets, beginning of year</b>	<u>12,940,036</u>	<u>-</u>	<u>-</u>	<u>12,940,036</u>
<b>Net assets, end of year</b>	<u>\$ 16,525,997</u>	<u>\$ 461</u>	<u>\$ -</u>	<u>\$ 16,526,458</u>

See independent auditor's report

**BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2021**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>				
<i>Passed through Ohio Department of Education:</i>				
Children and Adult Food Program	10.558	N/A	\$ -	\$ 25,373
<b>Total U.S. Department of Agriculture</b>			-	25,373
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed through Strategies to End Homelessness:</i>				
Continuum of Care Program	14.267	20200248	-	108,628
Continuum of Care Program	14.267	20200303	-	187,336
Continuum of Care Program	14.267	20200461	-	277,213
Continuum of Care Program	14.267	20200472	-	402,659
Continuum of Care Program	14.267	20200542	-	180,619
Continuum of Care Program	14.267	20200598	-	158,639
Continuum of Care Program	14.267	20200604	-	268,775
Continuum of Care Program	14.267	20210248	-	118,546
Continuum of Care Program	14.267	20210303	-	195,130
Continuum of Care Program	14.267	20210461	-	311,078
Continuum of Care Program	14.267	20210472	-	446,926
Continuum of Care Program	14.267	20210542	-	204,186
Continuum of Care Program	14.267	20210598	-	151,441
Continuum of Care Program	14.267	20210604	-	241,526
Total CFDA 14.267			-	3,252,702
<i>Passed through Ohio Development Services Agency:</i>				
Emergency Solutions Grant Program	14.231	N-L-20-7KC-1	-	449,539
COVID-19 Emergency Shelter - CARES	14.231	N-L-20-7KC-4	-	255,653
			-	705,192
<i>Passed through Strategies to End Homelessness:</i>				
COVID-19 CARES STEH Human Services	14.231	20203057	-	249,217
COVID-19 CARES STEH Human Services	14.231	20203058	-	56,222
COVID-19 CARES STEH Human Services	14.231	20203059	-	82,778
Emergency Solutions Grant Program	14.231	20213073	-	744,214
			-	1,132,431
Total CFDA 14.231			-	1,837,623
<i>Passed through Strategies to End Homelessness:</i>				
COVID-19 Hamilton County CARES	21.019	20208011	-	53,465
<b>Total U.S. Department of Housing and Urban Development</b>			-	5,143,790

(Continued)

**BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**

**Schedule of Expenditures of Federal Awards  
(Continued)  
Year Ended December 31, 2021**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Homeland Security</b>				
<i>Passed through United Way of Greater Cincinnati:</i>				
Emergency Food and Shelter National Board Program	97.024	N/A	-	75,351
<b>Total U.S. Department of Homeland Security</b>			-	75,351
<b>U.S. Department of Health and Human Services</b>				
<i>Passed through Strategies to End Homelessness:</i>				
Temporary Assistance for Needy Families	93.558	20208023	-	162,367
Temporary Assistance for Needy Families	93.558	20218027	-	114,029
<b>Total U.S. Department of Health and Human Services</b>			-	276,396
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 5,520,910

See independent auditor's report

## **BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2021**

#### **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, 2021. 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.

See independent auditor's report

**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. and Subsidiary  
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. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, 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, and have issued our report thereon dated April 5, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Bethany House Services, Inc. and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bethany House Services, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bethany House Services, Inc. and Subsidiary'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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bethany House Services, Inc. and Subsidiary'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 consolidated 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.

*Barnes, Dennig & Co., Ltd.*

April 5, 2022  
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. and Subsidiary  
Cincinnati, Ohio 45214

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Bethany House Services, Inc and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Bethany House Services, Inc. and Subsidiary's major federal programs for the year ended December 31, 2021. Bethany House Services, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bethany House Services, Inc. and Subsidiary 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, 2021.

***Basis of Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bethany House Services, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Bethany House Services, Inc. and Subsidiary's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Bethany House Service, Inc. and Subsidiary's federal programs.



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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bethany House Service, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bethany House Service, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Bethany House Service, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances
- Obtain an understanding of Bethany House Service, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Bethany House Service, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters

***Report on 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 a 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.

**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 (Continued)***

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Barnes, Dennig & Co., Ltd.*

April 5, 2022  
Crestview Hills, Kentucky

**BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2021**

**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

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. AND SUBSIDIARY**

**Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2021**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
No matters are reportable		