

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

**Consolidated Financial Statements with Supplementary Information  
December 31, 2022 with  
Summarized Comparative Totals for December 31, 2021, and  
Independent Auditors' Report**

**BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY**  
**December 31, 2022**  
**With Summarized Comparative Totals for December 31, 2021**

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## Independent Auditors' Report

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

### 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, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bethany House Services, Inc. and Subsidiary as of December 31, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 opinions.

#### *Responsibilities of Management for the 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. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

**Independent Auditors' Report  
(Continued)**

***Auditors' Responsibilities for the Audit of the 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 and *Government 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

In performing an audit in accordance with generally accepted auditing standards and *Government 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. and Subsidiary'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 Bethany House Services, Inc. and Subsidiary's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.

**Independent Auditors' Report  
(Continued)**

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statement of financial position, consolidating statement of activities, and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2023 on our consideration of Bethany House Services, Inc. and Subsidiary'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. and Subsidiary'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. and Subsidiary's internal control over financial reporting and compliance.



April 25, 2023  
Crestview Hills, Kentucky

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

**Consolidated Statement of Financial Position  
December 31, 2022 with Summarized Comparative Totals for December 31, 2021**

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2022	2021
<b>Assets</b>				
Current:				
Cash and cash equivalents	\$ 3,612,008	\$ 37,779	\$ 3,649,787	\$ 12,262,939
Pledges receivable	-	3,559,865	3,559,865	1,088,361
Grants receivable	838,786	-	838,786	699,346
Prepaid expenses and other	38,203	-	38,203	30,648
Total current assets	4,488,997	3,597,644	8,086,641	14,081,294
Noncurrent assets:				
Pledges receivable, net	-	705,377	705,377	1,144,432
Investments - endowment and other	1,408,946	624,920	2,033,866	2,542,411
Property and equipment, net	18,074,577	-	18,074,577	8,093,391
Operating lease right-of-use assets	81,933	-	81,933	-
Note receivable	12,557,900	-	12,557,900	12,557,900
Total assets	<u>\$ 36,612,353</u>	<u>\$ 4,927,941</u>	<u>\$ 41,540,294</u>	<u>\$ 38,419,428</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current:				
Accounts payable	\$ 1,861,616	\$ -	\$ 1,861,616	\$ 1,281,877
Accrued expenses	192,115	-	192,115	202,543
Refundable advances	35,752	-	35,752	73,435
Tenant deposits	14,844	-	14,844	14,844
Operating lease liabilities	21,090	-	21,090	-
Total current liabilities	2,125,417	-	2,125,417	1,572,699
Operating lease liabilities	60,843	-	60,843	-
Mortgage note payable	1,000,000	-	1,000,000	1,000,000
Notes payable, net	19,278,113	-	19,278,113	19,320,271
Total liabilities	22,464,373	-	22,464,373	21,892,970
<b>Net Assets</b>	<u>14,147,980</u>	<u>4,927,941</u>	<u>19,075,921</u>	<u>16,526,458</u>
Total liabilities and net assets	<u>\$ 36,612,353</u>	<u>\$ 4,927,941</u>	<u>\$ 41,540,294</u>	<u>\$ 38,419,428</u>

See accompanying notes to consolidated financial statements

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Consolidated Statement of Activities Year Ended December 31, 2022 with Summarized Comparative Totals for December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
<b>Public support</b>				
Contributions	\$ 986,204	\$ 282,500	\$ 1,268,704	\$ 1,425,864
Capital campaign contributions for new shelter building	-	3,604,309	3,604,309	2,242,915
Special events	211,656	-	211,656	114,421
Less direct benefit costs	(48,744)	-	(48,744)	(17,269)
Donated materials	113,162	-	113,162	85,022
<b>Total public support</b>	<b>1,262,278</b>	<b>3,886,809</b>	<b>5,149,087</b>	<b>3,850,953</b>
<b>Revenues</b>				
Rental agent and other fees	252,230	-	252,230	222,188
Government grants and other contracts	5,832,648	-	5,832,648	5,877,509
Miscellaneous income	7,212	-	7,212	123,632
<b>Total revenues</b>	<b>6,092,090</b>	<b>-</b>	<b>6,092,090</b>	<b>6,223,329</b>
Net assets released from restrictions	7,628,823	(7,628,823)	-	-
<b>Total public support and revenues</b>	<b>14,983,191</b>	<b>(3,742,014)</b>	<b>11,241,177</b>	<b>10,074,282</b>
<b>Expenses</b>				
Program services	7,040,357	-	7,040,357	6,239,232
Management and general	865,460	-	865,460	516,775
Fundraising	497,899	-	497,899	595,697
<b>Total expenses</b>	<b>8,403,716</b>	<b>-</b>	<b>8,403,716</b>	<b>7,351,704</b>
<b>Change in net assets from operations</b>	<b>6,579,475</b>	<b>(3,742,014)</b>	<b>2,837,461</b>	<b>2,722,578</b>
<b>Non-operating revenues</b>				
Investment return, net	(172,962)	(69,843)	(242,805)	363,844
Loss on sale of property and equipment	(45,193)	-	(45,193)	-
Gain on debt extinguishment	-	-	-	500,000
<b>Change in net assets</b>	<b>6,361,320</b>	<b>(3,811,857)</b>	<b>2,549,463</b>	<b>3,586,422</b>
<b>Net assets, beginning of year</b>	<b>7,786,660</b>	<b>8,739,798</b>	<b>16,526,458</b>	<b>12,940,036</b>
<b>Net assets, end of year</b>	<b>\$ 14,147,980</b>	<b>\$ 4,927,941</b>	<b>\$ 19,075,921</b>	<b>\$ 16,526,458</b>

See accompanying notes to consolidated financial statements

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Consolidated Statement of Functional Expenses Year Ended December 31, 2022 with Summarized Comparative Totals for December 31, 2021

	Program Services								Supporting Services				Total	
	Shelter	Rapid Rehousing	Family Housing Partnership	Aftercare	Shelter Diversion	Bethany Homes	Permanent Supportive Housing	KEYS	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Total	
													2022	2021
Salaries	\$ 882,688	\$ 506,693	\$ 156,492	\$ 36,435	\$ 104,417	\$ -	\$ 80,971	\$ 95,080	\$ 1,862,776	\$ 283,437	\$ 223,197	506,634	\$ 2,369,410	\$ 2,373,248
Employee benefits	142,376	71,206	34,359	14,971	17,192	-	25,344	1,502	306,950	40,193	6,027	46,220	353,170	205,110
Payroll taxes	82,039	46,967	13,700	3,193	9,402	-	7,493	8,910	171,704	26,714	21,285	47,999	219,703	289,908
<b>Total salaries and related expenses</b>	<b>1,107,103</b>	<b>624,866</b>	<b>204,551</b>	<b>54,599</b>	<b>131,011</b>	<b>-</b>	<b>113,808</b>	<b>105,492</b>	<b>2,341,430</b>	<b>350,344</b>	<b>250,509</b>	<b>600,853</b>	<b>2,942,283</b>	<b>2,868,266</b>
Specific assistance to individuals	859,968	1,961,153	-	215,764	2,574	-	319,063	163,804	3,522,326	-	-	-	3,522,326	3,102,055
Professional fees	51,408	18,142	7,572	1,936	1,872	27,665	6,560	2,126	117,281	196,544	160,855	357,399	474,680	359,372
Maintenance and repairs	110,917	38,067	14,885	4,244	3,573	90,075	8,756	4,242	274,759	45,084	28,767	73,851	348,610	269,143
Interest expense	43,915	11,711	5,855	1,464	1,464	-	5,855	1,464	71,728	124,738	5,855	130,593	202,321	37,881
Food	125,778	-	-	-	-	-	-	-	125,778	-	-	-	125,778	104,299
Equipment/Supplies	62,422	2,264	471	234	285	5,962	504	236	72,378	30,933	761	31,694	104,072	108,781
Rent	89,913	-	-	-	-	-	-	-	89,913	-	-	-	89,913	133,795
Utilities	27,878	4,314	726	462	488	27,036	1,263	462	62,629	10,075	799	10,874	73,503	59,339
Insurance	26,947	11,832	4,995	1,249	1,249	-	3,089	1,249	50,610	6,244	5,653	11,897	62,507	46,849
Telephone	19,566	12,161	3,419	1,099	1,764	-	2,445	1,352	41,806	12,940	2,396	15,336	57,142	44,558
Staff professional fees	5,024	1,984	618	229	206	-	418	204	8,683	35,568	3,703	39,271	47,954	28,106
Support contracts	17,856	7,045	17,693	400	681	-	1,761	1,361	46,797	-	-	-	46,797	48,550
Travel and conferences	9,486	17,226	4,816	1,434	1,031	-	1,442	1,950	37,385	604	384	988	38,373	25,582
Miscellaneous	1,791	1,220	194	102	105	364	228	102	4,106	27,708	6,202	33,910	38,016	27,177
Printing	-	-	-	-	-	-	-	-	-	-	17,913	17,913	17,913	21,207
<b>Total expenses before depreciation</b>	<b>2,559,972</b>	<b>2,711,985</b>	<b>265,795</b>	<b>283,216</b>	<b>146,303</b>	<b>151,102</b>	<b>465,192</b>	<b>284,044</b>	<b>6,583,565</b>	<b>840,782</b>	<b>483,797</b>	<b>1,324,579</b>	<b>7,908,144</b>	<b>7,284,960</b>
Depreciation	105,764	28,203	14,102	3,526	3,526	-	14,102	3,525	172,748	24,678	14,102	38,780	211,528	66,744
<b>Total expenses</b>	<b>\$ 2,665,736</b>	<b>\$ 2,740,188</b>	<b>\$ 279,897</b>	<b>\$ 286,742</b>	<b>\$ 149,829</b>	<b>\$ 151,102</b>	<b>\$ 479,294</b>	<b>\$ 287,569</b>	<b>\$ 7,040,357</b>	<b>\$ 865,460</b>	<b>\$ 497,899</b>	<b>\$ 1,363,359</b>	<b>\$ 8,403,716</b>	<b>\$ 7,351,704</b>

See accompanying notes to consolidated financial statements



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

**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2022 with Summarized Comparative Totals for December 31, 2021**

	2022	2021
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,549,463	\$ 3,586,422
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	211,528	66,744
Loss on disposal of property and equipment	45,193	-
Net realized and unrealized (gains) losses on investments	453,322	(255,277)
Amortization of debt issuance costs included in interest expense	5,630	-
Gain on debt extinguishment	-	(500,000)
Contributions restricted for capital campaign	(3,604,309)	(2,242,915)
Changes in:		
Pledges receivable, net	(51,548)	(13,808)
Grants receivable	(139,440)	(56,642)
Prepaid expenses and other	(7,555)	(10,830)
Accounts payable	(955,621)	(19,963)
Accrued expenses	(10,428)	23,947
Refundable advances	(37,683)	73,435
Tenant deposits	-	1,150
Net cash provided by (used in) operating activities	(1,541,448)	652,263
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(8,895,311)	(5,467,437)
Proceeds from sale of investments	843,703	914,312
Purchases of investments	(788,480)	(766,682)
Issuance of note receivable	-	(12,557,900)
Net cash used in investing activities	(8,636,062)	(17,877,707)
<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	(59,050)	(1,320,000)
Proceeds from contributions restricted for capital campaign	1,623,408	4,302,292
Net cash provided by investing activities	1,564,358	24,622,563
<b>Net change in cash and cash equivalents</b>	(8,613,152)	7,397,119
<b>Cash and cash equivalents, beginning of year</b>	12,262,939	4,865,820
<b>Cash and cash equivalents, end of year</b>	\$ 3,649,787	\$ 12,262,939
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 196,692	\$ 102,271
Property and equipment purchases in accounts payable	\$ 1,535,360	\$ 1,181,070

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 one of the largest providers 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, 2021 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, 2022 and 2021, 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, 2022 and 2021 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 \$5,000.

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, 2022 and 2021.

## 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)

##### ***Donated Materials***

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.

##### ***Contributed Services***

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.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

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

##### *Effect of Adopting New Accounting Standards*

Effective January 1, 2022, BHS adopted FASB ASC 842, *Leases*. The new standard requires lessee to recognize right-of-use (ROU) assets and lease liabilities on the balance sheet. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Operating lease expense is recognized on a straight-line basis over the lease term. BHS elected the transition method to apply the new leases standard at the adoption date. As such, reporting for the year ended December 31, 2021 is in accordance with FASB ASC 840.

BHS elected to adopt the package of practical expedients under the transition guidance. This package includes the following: (1) contracts need not be reassessed to determine whether they are or contain leases, (2) all existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as finance leases, and (3) initial direct costs need not be reassessed.

On January 1, 2022, BHS recognized operating ROU assets and lease liabilities of \$19,839 as a result of adopting the new standard. The standard had a material impact on the consolidated statement of financial position but did not have a material impact on the consolidated statement of activities or the consolidated statement of cash flows.

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* to increase 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. The Organization adopted the standard effective January 1, 2022, applied retrospectively. The Organization has updated disclosures as necessary (see Note 11).

##### *Subsequent Events*

Subsequent events were considered through April 25, 2023, 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, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 3,649,787	\$ 12,262,939
Other pledges receivable, due within one year	82,624	31,076
Grants receivable	838,786	699,346
Less construction disbursement, asset management fee and interest reserve accounts	(397,862)	(9,660,989)
Less board-designated operating reserve	(500,000)	(500,000)
	\$ 3,673,335	\$ 2,832,372

BHS's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2.1 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:

	2022	2021
Restricted for use in subsequent years:		
United Way allocation	\$ 50,000	\$ 31,076
Capital campaign pledges for new shelter	4,182,618	2,201,717
Other pledges	32,624	-
Restricted as to purpose:		
Capital campaign for new shelter	-	5,731,183
Children's programming	25,000	29,493
Bethany Homes apartments	12,779	15,000
Endowments:		
Endowment earnings not yet appropriated for expenditure	57,557	163,966
Endowment funds (original corpus) required to be maintained in perpetuity	567,363	567,363
	\$ 4,927,941	\$ 8,739,798

**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:

	2022	2021
Undesignated	\$ 12,249,315	\$ 5,475,578
Board-designated endowment	1,398,665	1,811,082
Board-designated operating reserve	500,000	500,000
	\$ 14,147,980	\$ 7,786,660

**NOTE 4 PLEDGES RECEIVABLE**

Pledges receivable at December 31 consisted of the following:

	2022	2021
Due within one year	\$ 3,559,865	\$ 1,088,361
Due in one to five years	645,000	1,004,667
Due in more than five years	100,000	200,000
	4,304,865	2,293,028
Less unamortized discount	(39,623)	(60,235)
	\$ 4,265,242	\$ 2,232,793

Discount rates ranged from 0.110% to 1.410% for 2022 and 2021.

**NOTE 5 INVESTMENTS AT FAIR VALUE**

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

	2022	2021
<b>Level 1:</b>		
Fixed income mutual funds	\$ 625,272	\$ 762,927
Equity mutual funds	980,851	1,303,562
Common stock	333,753	405,075
<b>Level 2:</b>		
Money market funds	93,990	70,847
	\$ 2,033,866	\$ 2,542,411

Fair values for fixed income and equity 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>2022</u>	<u>2021</u>
Land	\$ 813,438	\$ 858,072
Buildings and improvements	17,340,756	1,283,020
Furniture, equipment and vehicles	399,571	341,407
Construction in progress	-	6,721,302
Less accumulated depreciation	<u>(479,188)</u>	<u>(1,110,410)</u>
	<u><u>\$ 18,074,577</u></u>	<u><u>\$ 8,093,391</u></u>

**NOTE 7 LINE OF CREDIT**

BHS has a \$750,000 line of credit available from a bank that expires on May 1, 2023. The outstanding balance at December 31, 2022 and 2021 was \$-0-. The line of credit bears interest at an annual rate equal to prime rate minus 1.0% (prime rate 7.50% at December 31, 2022). The line of credit is secured by the investment account of BHS.

**NOTE 8 MORTGAGE NOTES PAYABLE**

In 2020, BHS had a mortgage note with an outstanding balance of \$500,000. 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 as of December 31, 2022 and 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.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### 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.

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

	2022	2021
Notes receivable:		
BH Services Investment Fund, LLC	\$ 12,557,900	\$ 12,557,900
Notes payable:		
PNC CDE 121, LLC	\$ 4,000,000	\$ 4,000,000
Citywide Cincinnati Development Fund 38, LLC	7,640,000	7,640,000
New Markets Investment 135, LLC	4,800,000	4,800,000
Fifth Third Bank National Association	3,320,950	3,380,000
Less debt issuance cost, net of amortization	(482,837)	(499,729)
	\$ 19,278,113	\$ 19,320,271

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.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

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

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.

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 \$82,200 and \$64,390 associated with the notes payable discussed above have been capitalized as of December 31, 2022 and 2021, respectively.

Debt issuance costs consist of closing and financing costs totaling \$506,767 as of both December 31, 2022 and 2021. These costs are amortized using the straight-line method over the term of the notes. For the years ended December 31, 2022 and 2021, amortization of the debt issuance costs in the amounts of \$11,262 and \$7,038, respectively, have been capitalized. The remaining \$5,630 of debt issuance costs for 2022 has been recognized as interest expense. Accumulated amortization as of December 31, 2022 and 2021 totaled \$23,930 and \$7,038, respectively.

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.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

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

##### *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, 2022 and 2021, the construction disbursement account balance was \$8 and \$9,086,222, respectively.

##### *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 \$397,854 and \$574,767 as of December 31, 2022 and 2021, respectively.

##### *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% (6.24% at December 31, 2022) 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 \$59,050 and \$1,320,000 was repaid during the years ended December 31, 2022 and 2021, respectively.

#### NOTE 10 LEASES

BHS leases certain equipment under noncancellable operating leases. The lease terms are 5 years, some of which may contain renewal options.

BHS has elected the following practical expedients: (1) not to separate lease components from non-lease components, (2) to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less, and (3) to apply a risk-free rate to measure lease liabilities for all existing classes of underlying assets. BHS applies the interest rate implicit in the lease, if available, or a risk-free rate.

The components of lease expense for year ending December 31, 2022 were as follows:

Operating lease expense	\$	18,552
Short-term lease expense		104,556
Total	\$	<u>123,108</u>

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

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

**NOTE 10 LEASES (CONTINUED)**

Other information related to leases for year ending December 31, 2022 were as follows:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows	\$ 18,552
ROU assets obtained in exchange for lease liabilities	\$ 79,027
Weighted average remaining lease term in years	3.93
Weighted average discount rate	2.35%

Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows:

2023	\$ 22,755
2024	22,755
2025	19,290
2026	16,815
2027	4,204
	<hr/>
Total future minimum lease payments	85,819
Less present value discount	<hr/> (3,886)
Lease liabilities	<hr/> <u>\$ 81,933</u>

***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. All inter-organizational balances and transactions related to this lease have been eliminated.

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 11 DONATED MATERIALS AND CONTRIBUTED SERVICES

Donated materials for the years ended December 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Program:		
Food	<u>\$ 113,162</u>	<u>\$ 85,022</u>

Food items are valued based on estimates of wholesale value that would be received for selling similar products in the United States. All donated materials for 2022 and 2021 are without donor restrictions.

In addition, a number of volunteers have contributed significant amounts of time to BHS for services for which no value has been recorded in the consolidated financial statements. Total unrecorded volunteer hours were 4,447 for 2022 and 7,495 for 2021.

#### NOTE 12 RETIREMENT PLAN

BHS maintains a 401(k) plan for the benefit of all employees. BHS made a 2% matching contribution of \$25,562 and \$27,363 for the years ended December 31, 2022 and 2021, respectively.

#### NOTE 13 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.

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.

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

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

**NOTE 13 ENDOWMENT (CONTINUED)**

***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, 2022:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ 624,920	\$ 624,920
Board designated endowment	1,398,665	-	1,398,665
	<u>\$ 1,398,665</u>	<u>\$ 624,920</u>	<u>\$ 2,023,585</u>

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 changes in endowment and board designated net assets for the year ended December 31, 2022 and 2021 were as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets - 12/31/20	\$ 1,671,803	\$ 661,391	\$ 2,333,194
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>
Investment return, net	\$ (338,016)	\$ (69,843)	\$ (407,859)
Appropriated for expenditure	<u>(74,401)</u>	<u>(36,566)</u>	<u>(110,967)</u>
Endowment net assets - 12/31/22	<u>\$ 1,398,665</u>	<u>\$ 624,920</u>	<u>\$ 2,023,585</u>

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 13 ENDOWMENT (CONTINUED)

##### *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.

#### NOTE 14 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, 2022 and 2021, BHS had remaining available award balances on federal and local government conditional grants and contracts of \$2,288,939 and \$2,831,428, 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, at December 31, 2022 and 2021, BHS has \$1,900,000 and \$5,150,000, respectively, 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.



## **SUPPLEMENTARY INFORMATION**

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Consolidating Statement of Financial Position December 31, 2022

	Bethany House Services, Inc.	Bethany House Services Holding, Inc.	Eliminations	Consolidated Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 3,044,652	\$ 605,135	\$ -	\$ 3,649,787
Pledges receivable	3,559,865	-	-	3,559,865
Grants receivable	838,786	-	-	838,786
Prepaid expenses and other	38,203	-	-	38,203
Due from related party	874,658	180,452	(1,055,110)	-
Total current assets	<u>8,356,164</u>	<u>785,587</u>	<u>(1,055,110)</u>	<u>8,086,641</u>
Noncurrent assets:				
Pledges receivable, net	705,377	-	-	705,377
Investments - endowment and other	2,033,866	-	-	2,033,866
Property and equipment, net	507,237	17,567,340	-	18,074,577
Operating lease right-of-use assets	12,344,665	-	(12,262,732)	81,933
Notes receivable	12,557,900	-	-	12,557,900
Total assets	<u>\$ 36,505,209</u>	<u>\$ 18,352,927</u>	<u>\$ (13,317,842)</u>	<u>\$ 41,540,294</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 317,753	\$ 1,543,863	\$ -	\$ 1,861,616
Accrued expenses	192,115	-	-	192,115
Refundable advances	35,752	-	-	35,752
Tenant deposits	14,844	-	-	14,844
Operating lease liabilities	21,090	-	-	21,090
Due to related party	-	874,658	(874,658)	-
Total current liabilities	581,554	2,418,521	(874,658)	2,125,417
Operating lease liabilities	12,504,027	-	(12,443,184)	60,843
Mortgage note payable	1,000,000	-	-	1,000,000
Notes payable, net	3,320,950	15,957,163	-	19,278,113
Total liabilities	<u>17,406,531</u>	<u>18,375,684</u>	<u>(13,317,842)</u>	<u>22,464,373</u>
<b>Net Assets</b>				
Without donor restrictions	14,170,737	(22,757)	-	14,147,980
With donor restrictions	4,927,941	-	-	4,927,941
Total net assets	<u>19,098,678</u>	<u>(22,757)</u>	<u>-</u>	<u>19,075,921</u>
Total liabilities and net assets	<u>\$ 36,505,209</u>	<u>\$ 18,352,927</u>	<u>\$ (13,317,842)</u>	<u>\$ 41,540,294</u>

See independent auditors' report

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Consolidating Statement of Activities For the Year Ended December 31, 2022

	Bethany House Services, Inc.	Bethany House Services Holding, Inc.	Eliminations	Consolidated Total
<b>Public support</b>				
Contributions	\$ 1,268,704	\$ -	\$ -	\$ 1,268,704
Capital campaign contributions for new shelter building	3,604,309	-	-	3,604,309
Special events	211,656	-	-	211,656
Less direct benefit costs	(48,744)	-	-	(48,744)
Donated materials	113,162	-	-	113,162
	<u>5,149,087</u>	<u>-</u>	<u>-</u>	<u>5,149,087</u>
Total contributions, revenues and gains				
	<u>5,149,087</u>	<u>-</u>	<u>-</u>	<u>5,149,087</u>
<b>Revenues</b>				
Rental agent and other fees	252,230	-	-	252,230
Government grants and other contracts	5,832,648	-	-	5,832,648
Miscellaneous income	7,212	-	-	7,212
Lease revenue	-	237,952	(237,952)	-
	<u>6,092,090</u>	<u>237,952</u>	<u>(237,952)</u>	<u>6,092,090</u>
Total revenues				
	<u>6,092,090</u>	<u>237,952</u>	<u>(237,952)</u>	<u>6,092,090</u>
Total public support and revenues	11,241,177	237,952	(237,952)	11,241,177
<b>Expenses</b>				
Program service	7,047,559	187,125	(194,327)	7,040,357
Management and general	833,989	59,232	(27,761)	865,460
Fundraising	498,487	15,276	(15,864)	497,899
	<u>8,380,035</u>	<u>261,633</u>	<u>(237,952)</u>	<u>8,403,716</u>
Total expenses				
	<u>8,380,035</u>	<u>261,633</u>	<u>(237,952)</u>	<u>8,403,716</u>
<b>Change in net assets from operations</b>	2,861,142	(23,681)	-	2,837,461
<b>Non-operating revenues</b>				
Investment return, net	(243,266)	461	-	(242,805)
Loss on sale of property and equipment	(45,193)	-	-	(45,193)
	<u>(288,459)</u>	<u>461</u>	<u>-</u>	<u>(287,998)</u>
<b>Change in net assets</b>	2,572,683	(23,220)	-	2,549,463
<b>Net assets, beginning of year</b>	16,525,995	463	-	16,526,458
<b>Net assets, end of year</b>	<u>\$ 19,098,678</u>	<u>\$ (22,757)</u>	<u>\$ -</u>	<u>\$ 19,075,921</u>

See independent auditor's report

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

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2022**

<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	\$ -	\$ 62,850
<b>Total U.S. Department of Agriculture</b>			-	62,850
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed through Strategies to End Homelessness:</i>				
Continuum of Care Program	14.267	20210248	-	78,071
Continuum of Care Program	14.267	20210303	-	200,256
Continuum of Care Program	14.267	20210461	-	317,712
Continuum of Care Program	14.267	20210472	-	468,626
Continuum of Care Program	14.267	20210542	-	194,253
Continuum of Care Program	14.267	20210598	-	110,773
Continuum of Care Program	14.267	20210604	-	191,574
Continuum of Care Program	14.267	20220248	-	131,924
Continuum of Care Program	14.267	20220303	-	543,091
Continuum of Care Program	14.267	20220303	-	236,359
Continuum of Care Program	14.267	20220303	-	440,838
Continuum of Care Program	14.267	20220303	-	245,907
Continuum of Care Program	14.267	20220542	-	245,142
Continuum of Care Program	14.267	20220598	-	161,476
Continuum of Care Program	14.267	20220659	-	35,399
Total CFDA 14.267			-	3,601,401
<i>Passed through Ohio Development Services Agency:</i>				
Emergency Solutions Grant Program	14.231	N-L-20-7KC-1	-	265,434
COVID-19 CARES Emergency Solutions Grant Program	14.231	N-L-20-7KC-4	-	297,772
			-	563,206
<i>Passed through Strategies to End Homelessness:</i>				
COVID-19 CARES Emergency Solutions Grant Program	14.231	20223057	-	110,000
COVID-19 CARES Emergency Solutions Grant Program	14.231	20223059	-	24,780
COVID-19 CARES Emergency Solutions Grant Program	14.231	20223051	-	210,394
COVID-19 CARES Emergency Solutions Grant Program	14.231	20223078	-	15,000
COVID-19 CARES Emergency Solutions Grant Program	14.231	20223081	-	128,400
Emergency Solutions Grant Program	14.231	20223001	-	198,533
			-	687,107
Total CFDA 14.231			-	1,250,313
<b>Total U.S. Department of Housing and Urban Development</b>			-	4,851,714

(Continued)

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

**Schedule of Expenditures of Federal Awards  
(Continued)  
Year Ended December 31, 2022**

<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 the Treasury</b>				
<i>Passed through United Way of Greater Cincinnati:</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	PSC 101 25X033	-	49,035
<i>Passed through City of Cincinnati:</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	PSC 101 35X013	-	48,358
<b>Total U.S. Department of the Treasury</b>			-	97,393
<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	-	100,000
<b>Total U.S. Department of Homeland Security</b>			-	100,000
<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	20218027	-	69,852
<b>Total U.S. Department of Health and Human Services</b>			-	69,852
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 5,181,809

See independent auditor's report

## BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

### Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

#### NOTE 1 BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of Bethany House Services, Inc. and Subsidiary for the year ended December 31, 2022. 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 consolidated 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. and Subsidiary 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

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, 2022, 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 25, 2023.

**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 25, 2023  
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

**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, 2022. 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, 2022.

***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.

***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 25, 2023  
Crestview Hills, Kentucky

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

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2022**

**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, 2022**

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