Bethany House Services, Inc.
and Subsidiary

Consolidated Financial Statements with Supplementary Information
December 31, 2023 with
Summarized Comparative Totals for December 31, 2022, and
Independent Auditors' Report

BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY
December 31, 2023
With Summarized Comparative Totals for December 31, 2022

CONTENTS

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Accounting • Tax • Business Insight

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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, 2023, 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, 2023, 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 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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 June 24, 2024 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.

Barnes, Dennig & Co., Ltd.

June 24, 2024
Cincinnati, Ohio

BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
December 31, 2023 with Summarized Comparative Totals for December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Assets				
Current:				
Cash and cash equivalents	$ 2,568,365	$ 329,266	$ 2,897,631	$ 3,649,787
Pledges receivable	-	262,531	262,531	3,559,865
Grants receivable	708,349	-	708,349	838,786
Prepaid expenses and other	32,592	-	32,592	38,203
Total current assets	3,309,306	591,797	3,901,103	8,086,641
Noncurrent assets:				
Pledges receivable, net	-	530,760	530,760	705,377
Investments - endowment and other	1,532,491	690,117	2,222,608	2,033,866
Property and equipment, net	17,602,394	-	17,602,394	18,074,577
Operating lease right-of-use assets	60,843	-	60,843	81,933
Note receivable	12,557,900	-	12,557,900	12,557,900
Total assets	$ 35,062,934	$ 1,812,674	$ 36,875,608	$ 41,540,294
Liabilities and Net Assets				
Liabilities				
Current:				
Accounts payable	$ 127,076	$ -	$ 127,076	$ 1,861,616
Accrued expenses	251,666	-	251,666	192,115
Refundable advances	24,631	-	24,631	35,752
Tenant deposits	16,690	-	16,690	14,844
Operating lease liabilities	21,564	-	21,564	21,090
Total current liabilities	441,627	-	441,627	2,125,417
Operating lease liabilities, net	39,279	-	39,279	60,843
Mortgage note payable	-	-	-	1,000,000
Notes payable, net	15,974,055	-	15,974,055	19,278,113
Total liabilities	16,454,961	-	16,454,961	22,464,373
Net Assets	18,607,973	1,812,674	20,420,647	19,075,921
Total liabilities and net assets	$ 35,062,934	$ 1,812,674	$ 36,875,608	$ 41,540,294

See accompanying notes to consolidated financial statements

BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended December 31, 2023 with Summarized Comparative Totals for December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Public support				
Contributions	$ 1,939,085	$ 215,000	$ 2,154,085	$ 1,268,704
Capital campaign contributions for new shelter building and services	-	260,434	260,434	3,604,309
Special events	374,647	-	374,647	211,656
Less direct benefit costs	(81,514)	-	(81,514)	(48,744)
Donated materials	339,511	-	339,511	113,162
Total public support	2,571,729	475,434	3,047,163	5,149,087
Revenue				
Rental agent and other fees	264,061	-	264,061	252,230
Government grants and other contracts	5,581,877	-	5,581,877	5,832,648
Miscellaneous income	7,922	-	7,922	7,212
Total revenue	5,853,860	-	5,853,860	6,092,090
Net assets released from restrictions	3,687,144	(3,687,144)	-	-
Total public support and revenue	12,112,733	(3,211,710)	8,901,023	11,241,177
Expenses				
Program services	7,413,940	-	7,413,940	7,040,357
Management and general	978,172	-	978,172	865,460
Fundraising	640,943	-	640,943	497,899
Total expenses	9,033,055	-	9,033,055	8,403,716
Change in net assets from operations	3,079,678	(3,211,710)	(132,032)	2,837,461
Nonoperating revenue				
Investment return, net	380,315	96,443	476,758	(242,805)
Loss on sale of property and equipment	-	-	-	(45,193)
Gain on debt extinguishment	1,000,000	-	1,000,000	-
Change in net assets	4,459,993	(3,115,267)	1,344,726	2,549,463
Net assets, beginning of year	14,147,980	4,927,941	19,075,921	16,526,458
Net assets, end of year	$ 18,607,973	$ 1,812,674	$ 20,420,647	$ 19,075,921

BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended December 31, 2023 with Summarized Comparative Totals for December 31, 2022

	Program Services					Supporting Services			Total	
	Shelter	Family Services	Housing	Bethany Homes	Total Program Services	Management and General	Fund-raising	Total Supporting Services	2023	2022
Salaries	$ 963,081	$ 273,599	$ 953,767	$ -	$ 2,190,447	$ 358,326	$ 353,631	711,957	$ 2,902,404	$ 2,369,410
Employee benefits	117,189	41,226	129,599	-	288,014	50,454	13,961	64,415	352,429	353,170
Payroll taxes	81,962	19,588	79,216	-	180,766	30,135	31,232	61,367	242,133	219,703
Total salaries and related expenses	1,162,232	334,413	1,162,582	-	2,659,227	438,915	398,824	837,739	3,496,966	2,942,283
Specific assistance to individuals	145,435	15,443	2,400,390	-	2,561,268	-	-	-	2,561,268	3,522,326
Professional fees	154,816	37,974	109,421	19,011	321,222	235,254	92,002	327,256	648,478	474,680
Maintenance and repairs	175,661	43,550	101,731	121,556	442,498	57,038	41,414	98,452	540,950	348,610
Food	506,238	8,150	294	-	514,682	467	63	530	515,212	125,778
Interest expense	72,517	18,129	52,296	-	142,942	61,710	13,946	75,656	218,598	202,321
Equipment/Supplies	49,617	29,333	18,474	18,196	115,620	28,093	6,192	34,285	149,905	104,072
Utilities	26,254	6,595	16,004	28,508	77,361	10,705	4,479	15,184	92,545	73,503
Insurance	27,697	8,351	16,420	-	52,468	7,760	4,258	12,018	64,486	62,507
Telephone	21,780	3,996	18,621	-	44,397	13,267	4,004	17,271	61,668	57,142
Miscellaneous	5,768	218	3,417	415	9,818	39,052	6,655	45,707	55,525	38,016
Support contracts	28,555	-	-	-	28,555	3,600	-	3,600	32,155	46,797
Travel and conferences	2,025	473	27,349	-	29,847	1,005	716	1,721	31,568	38,373
Printing	-	-	-	-	-	-	27,660	27,660	27,660	17,913
Staff professional fees	3,923	1,266	2,084	-	7,273	16,449	3,691	20,140	27,413	47,954
Rent	-	-	-	-	-	-	-	-	-	89,913
Total expenses before depreciation	2,382,518	507,891	3,929,083	187,686	7,007,178	913,315	603,904	1,517,219	8,524,397	8,192,188
Depreciation	199,042	49,952	138,547	19,221	406,762	64,857	37,039	101,896	508,658	211,528
Total expenses	$ 2,581,560	$ 557,843	$ 4,067,630	$ 206,907	$ 7,413,940	$ 978,172	$ 640,943	$ 1,619,115	$ 9,033,055	$ 8,403,716

See accompanying notes to consolidated financial statements

BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended December 31, 2023 with Summarized Comparative Totals for December 31, 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 1,344,726	$ 2,549,463
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	508,658	211,528
Loss on disposal of property and equipment	-	45,193
Net realized and unrealized (gains) losses on investments	(263,300)	453,322
Amortization of debt issuance costs included in interest expense	16,892	5,630
Gain on debt extinguishment	(1,000,000)	-
Contributions restricted for capital campaign	(260,434)	(3,604,309)
Changes in:		
Pledges receivable, net	20,618	(51,548)
Grants receivable	130,437	(139,440)
Prepaid expenses and other	5,611	(7,555)
Accounts payable	(1,734,540)	(955,621)
Accrued expenses	59,551	(10,428)
Refundable advances	(11,121)	(37,683)
Tenant deposits	1,846	-
Net cash used in operating activities	(1,181,056)	(1,541,448)
Cash flows from investing activities		
Proceeds from disposal of property and equipment	-	204,026
Purchases of property and equipment	(36,475)	(8,895,311)
Proceeds from sale of investments	1,210,931	843,703
Purchases of investments	(1,136,373)	(788,480)
Net cash provided by (used in) investing activities	38,083	(8,636,062)
Cash flows from financing activities		
Borrowings on line of credit	280,000	-
Payments on line of credit	(280,000)	-
Principal payments on notes payable	(3,320,950)	(59,050)
Proceeds from contributions restricted for capital campaign	3,711,767	1,623,408
Net cash provided by investing activities	390,817	1,564,358
Net change in cash and cash equivalents	(752,156)	(8,613,152)
Cash and cash equivalents, beginning of year	3,649,787	12,262,939
Cash and cash equivalents, end of year	$ 2,897,631	$ 3,649,787
Supplemental Cash Flow Information		
Interest paid	$ 201,705	$ 196,692
Property and equipment purchases in accounts payable	$ -	$ 1,535,360

See accompanying 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, 2022 from which the comparative information was derived.

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, 2023 and 2022, 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, 2023 and 2022 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, 2023 and 2022.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Return (Continued)

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.

Note Receivable and Allowance for Credit Losses

BHS provides an allowance for credit losses based upon review of outstanding receivables, historical collection information, existing economic conditions and individual credit evaluation and specific circumstances of the customer. As of December 31, 2023 and 2022 there is no allowance for credit losses associated with the note receivable.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of Adopting New Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with more useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by BHS that are subject to the guidance in FASB ASC 326 are the note receivable. BHS adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

Subsequent Events

Subsequent events were considered through June 24, 2024, the date which the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 2,897,631	$ 3,649,787
Other pledges receivable, due within one year	62,006	82,624
Grants receivable	708,349	838,786
Less construction disbursement, asset management fee and interest reserve accounts	(328,148)	(397,862)
Less board-designated operating reserve	-	(500,000)
	$ 3,339,838	$ 3,673,335

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:

	2023	2022
Restricted for use in subsequent years:		
Capital campaign pledges for new shelter and services	$ 731,285	$ 4,182,618
United Way allocation	50,000	50,000
Other pledges	12,006	32,624
Restricted as to purpose:		
Capital campaign for new shelter and services	250,000	-
Data software and employee training	33,643	-
Children's programming	25,000	25,000
Bethany Homes apartments	20,623	12,779
Endowments:		
Endowment earnings not yet appropriated for expenditure	122,754	57,557
Endowment funds (original corpus) required to be maintained in perpetuity	567,363	567,363
	$ 1,812,674	$ 4,927,941

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

	2023	2022
Undesignated	$ 17,075,482	$ 12,249,315
Board-designated endowment	1,532,491	1,398,665
Board-designated operating reserve	-	500,000
	$ 18,607,973	$ 14,147,980

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable at December 31 consisted of the following:

	2023	2022
Due within one year	$ 262,531	$ 3,559,865
Due in one to five years	460,000	645,000
Due in more than five years	100,000	100,000
	822,531	4,304,865
Less unamortized discount	(29,240)	(39,623)
	$ 793,291	$ 4,265,242

Discount rates ranged from 0.110% to 1.410% for 2023 and 2022.

NOTE 5 INVESTMENTS AT FAIR VALUE

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

	2023	2022
Level 1:		
Fixed income mutual funds	$ 735,453	$ 625,272
Equity mutual funds	1,341,646	980,851
Common stock	93,518	333,753
Level 2:		
Money market funds	51,991	93,990
	$ 2,222,608	$ 2,033,866

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.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2023	2022
Land	$ 813,438	$ 813,438
Buildings and improvements	17,340,755	17,340,756
Furniture, equipment and vehicles	424,910	399,571
Less accumulated depreciation	(976,709)	(479,188)
	$ 17,602,394	$ 18,074,577

NOTE 7 LINE OF CREDIT

BHS has a $750,000 line of credit available from a bank that was set to expire on May 1, 2024. Subsequent to year end, the line of credit was renewed and now expires on May 1, 2025. The outstanding balance at December 31, 2023 and 2022 was $-0-. The line of credit bears interest at an annual rate equal to prime rate minus 1.0% (prime rate was 8.50% at December 31, 2023). The line of credit is secured by the investment account of BHS.

NOTE 8 MORTGAGE NOTE PAYABLE

BHS had a mortgage note with an outstanding balance of $1,000,000 as of as of December 31, 2022. The note was non-interest bearing to the City of Cincinnati and was due 5 years following August 6, 2021 (effective date of the mortgage note), and was forgivable in full upon completion of the project as long as the property continues to be used for the project's purpose. The note was secured by a mortgage on the property. During 2023, the project was completed and the note was forgiven and recognized as a gain on debt extinguishment in the consolidated statement of activities.

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:

	2023	2022
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
Less debt issuance cost, net of amortization	(465,945)	(482,837)
	$ 15,974,055	$ 19,278,113

NOTE 9 NOTE RECEIVABLE AND NOTES PAYABLE (CONTINUED)

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.

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 $-0- and $82,200 associated with the notes payable discussed above have been capitalized as of December 31, 2023 and 2022, respectively.

Debt issuance costs consist of closing and financing costs totaling $506,767 as of both December 31, 2023 and 2022. These costs are amortized using the straight-line method over the term of the notes. For the years ended December 31, 2023 and 2022, amortization of the debt issuance costs in the amounts of $16,892 and $11,262, respectively, have been capitalized. For the years ended December 31, 2023 and 2022, $16,892 and $5,630, respectively, of debt issuance costs has been recognized as interest expense. Accumulated amortization as of December 31, 2023 and 2022 totaled $40,822 and $23,930, respectively.

NOTE 9 NOTES RECEIVABLE AND NOTES PAYABLE (CONTINUED)

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 both December 31, 2023 and 2022, the construction disbursement account balance was $8.

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 $328,140 and $397,854 as of December 31, 2023 and 2022, 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 could be made on the note until January 31, 2023. On January 31, 2023, the draw note converted to a term note. Interest accrued on any unpaid balance at a rate equal to the Prime Rate less 1.26% (prime was 8.5% at December 31, 2023) and matured on August 5, 2026. The loan was 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 were used to pay the principal balance outstanding under the term note within 60 days after such payments are received. The term note had certain non-financial covenants which must be met. $4,700,000 was drawn against the term note and $3,320,950 and $59,050 was repaid during the years ended December 31, 2023 and 2022, respectively. The note was paid in full during 2023.

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.

NOTE 10 LEASES (CONTINUED)

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

	2023	2022
Operating lease expense	$ 22,755	$ 18,552
Short-term lease expense	-	104,556
Total	$ 22,755	$ 123,108

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

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows	$ 22,755	$ 18,552
ROU assets obtained in exchange for lease liabilities	$ -	$ 79,027
Weighted average remaining lease term in years	3.00	3.93
Weighted average discount rate	2.39%	2.35%

Future minimum lease payments under non-cancellable leases as of December 31, 2023 were as follows:

2024	$ 22,755
2025	19,290
2026	16,815
2027	4,204
Total future minimum lease payments	63,064
Less present value discount	(2,221)
Lease liabilities	$ 60,843

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, 2023. 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.

NOTE 11 DONATED MATERIALS AND CONTRIBUTED SERVICES

Donated materials for the years ended December 31, 2023 and 2022 consisted of food totaling $339,511 and $113,162, respectively. 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 2023 and 2022 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 7,515 for 2023 and 4,447 for 2022.

NOTE 12 RETIREMENT PLAN

BHS maintains a 401(k) plan for the benefit of all employees. BHS made a 2% matching contribution of $23,333 and $25,562 for the years ended December 31, 2023 and 2022, 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.

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, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment	$ -	$ 690,117	$ 690,117
Board designated endowment	1,532,491	-	1,532,491
	$ 1,532,491	$ 690,117	$ 2,222,608

NOTE 13 ENDOWMENT (CONTINUED)

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

The endowment net asset composition by type of fund is as follows for December 31, 2022:

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

The changes in endowment and board designated net assets for the year ended December 31, 2023 and 2022 were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - 12/31/21	$ 1,811,082	$ 731,329	$ 2,542,411
Investment return, net	(338,016)	(69,843)	(407,859)
Appropriated for expenditure	(74,401)	(36,566)	(110,967)
Endowment net assets - 12/31/22	$ 1,398,665	$ 624,920	$ 2,023,585
Investment return, net	$ 215,855	$ 96,443	$ 312,298
Appropriated for expenditure	(82,029)	(31,246)	(113,275)
Endowment net assets - 12/31/23	$ 1,532,491	$ 690,117	$ 2,222,608

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.

NOTE 13 ENDOWMENT (CONTINUED)

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, 2023 and 2022, BHS had remaining available award balances on federal and local government conditional grants and contracts of $4,138,838 and $2,288,939, 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, 2023 and 2022, BHS has $1,650,000 and $1,900,000, respectively, of conditional contributions associated with the capital campaign for the new shelter building and services. 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 15 SUBSEQUENT EVENTS

During January 2024, BHS determined it was eligible for the Employee Retention Credit (ERC) program under the Coronavirus Aid, Relief, and Economic Security's (CARES) Act for qualified wages paid to employees during the quarters ended June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021 and June 30, 2021. BHS submitted total claims of $910,155 for these quarters and has elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the timing of recognition for the ERC. Accordingly, revenue will be recognized during 2024.

SUPPLEMENTARY INFORMATION

BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

Consolidating Statement of Financial Position
December 31, 2023

	Bethany House Services, Inc.	Bethany House Services Holding, Inc.	Eliminations	Consolidated Total
Assets				
Current assets:				
Cash and cash equivalents	$ 2,563,408	$ 334,223	$ -	$ 2,897,631
Pledges receivable	262,531	-	-	262,531
Grants receivable	708,349	-	-	708,349
Prepaid expenses and other	32,592	-	-	32,592
Due from related party	2,209,724		(2,209,724)	-
Total current assets	5,776,604	334,223	(2,209,724)	3,901,103
Noncurrent assets:				
Pledges receivable, net	530,760	-	-	530,760
Deferred rent receivable	-	721,807	(721,807)	-
Investments - endowment and other	2,222,608	-	-	2,222,608
Property and equipment, net	458,963	17,143,431	-	17,602,394
Operating lease right-of-use assets	12,032,904	-	(11,972,061)	60,843
Notes receivable	12,557,900	-	-	12,557,900
Total assets	$ 33,579,739	$ 18,199,461	$ (14,903,592)	$ 36,875,608
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable	$ 127,076	$ -	$ -	$ 127,076
Accrued expenses	251,666	-	-	251,666
Refundable advances	24,631	-	-	24,631
Tenant deposits	16,690	-	-	16,690
Operating lease liabilities	21,564	-	-	21,564
Due to related party	-	2,209,724	(2,209,724)	-
Total current liabilities	441,627	2,209,724	(2,209,724)	441,627
Operating lease liabilities	12,733,147	-	(12,693,868)	39,279
Notes payable, net	-	15,974,055	-	15,974,055
Total liabilities	13,174,774	18,183,779	(14,903,592)	16,454,961
Net Assets				
Without donor restrictions	18,592,291	15,682	-	18,607,973
With donor restrictions	1,812,674	-	-	1,812,674
Total net assets	20,404,965	15,682	-	20,420,647
Total liabilities and net assets	$ 33,579,739	$ 18,199,461	$ (14,903,592)	$ 36,875,608

See independent auditors’ report

BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

Consolidating Statement of Activities
For the Year Ended December 31, 2023

	Bethany House Services, Inc.	Bethany House Services Holding, Inc.	Eliminations	Consolidated Total
Public support				
Contributions	$ 2,154,085	$ -	$ -	$ 2,154,085
Capital campaign contributions				
for new shelter building and services	260,434	-	-	260,434
Special events	374,647	-	-	374,647
Less direct benefit costs	(81,514)	-	-	(81,514)
Donated materials	339,511	-	-	339,511
Total public support	3,047,163	-	-	3,047,163
Revenue				
Rental agent and other fees	264,061	-	-	264,061
Government grants and other contracts	5,581,877	-	-	5,581,877
Miscellaneous income	7,922	-	-	7,922
Lease revenue	-	713,856	(713,856)	-
Total revenue	5,853,860	713,856	(713,856)	5,853,860
Total public support and revenue	8,901,023	713,856	(713,856)	8,901,023
Expenses				
Program service	7,510,723	477,177	(573,960)	7,413,940
Management and general	918,755	151,723	(92,306)	978,172
Fundraising	641,979	46,554	(47,590)	640,943
Total expenses	9,071,457	675,454	(713,856)	9,033,055
Change in net assets from operations	(170,434)	38,402	-	(132,032)
Nonoperating revenue				
Investment return, net	476,721	37	-	476,758
Gain on debt forgiveness	1,000,000	-	-	1,000,000
Change in net assets	1,306,287	38,439	-	1,344,726
Net assets, beginning of year	19,098,678	(22,757)	-	19,075,921
Net assets, end of year	$ 20,404,965	$ 15,682	$ -	$ 20,420,647

See independent auditor’s report

BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Passed through Ohio Department of Education:				
Children and Adult Food Program	10.558	N/A	$ -	$ 159,922
Total U.S. Department of Agriculture			-	159,922
U.S. Department of Housing and Urban Development				
Passed through Strategies to End Homelessness:				
Continuum of Care Program	14.267	20220303	-	344,427
Continuum of Care Program	14.267	20220248BHS	-	160,273
Continuum of Care Program	14.267	20220303	-	202,001
Continuum of Care Program	14.267	20220659	-	196,500
Continuum of Care Program	14.267	20220303	-	349,101
Continuum of Care Program	14.267	20220303	-	206,135
Continuum of Care Program	14.267	20220598	-	133,165
Continuum of Care Program	14.267	20220542	-	257,200
Continuum of Care Program	14.267	20230303	-	1,248,225
Continuum of Care Program	14.267	20230248BHS	-	149,825
Continuum of Care Program	14.267	20230718	-	76,622
Continuum of Care Program	14.267	20230598	-	191,050
Continuum of Care Program	14.267	20230542	-	272,456
Total CFDA 14.267			-	3,786,980
Passed through Ohio Development Services Agency:				
Emergency Solutions Grant Program	14.231	N-L-20-7KC-1	-	286,450
COVID-19 CARES Emergency Solutions Grant Program	14.231	N-L-20-7KC-4	-	328,612
Passed through Strategies to End Homelessness:				
Emergency Solutions Grant Program	14.231	20233001	-	188,799
Total CFDA 14.231			-	803,861
Passed through Ohio Department of Development				
COVID-19 CARES Community Block Grant/Entitlement Grant	14.218	20234004	-	36,679
Total U.S. Department of Housing and Urban Development			-	4,627,520
U.S. Department of the Treasury				
Passed through City of Cincinnati:				
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	PSC 101 35X013	-	51,642
Total U.S. Department of the Treasury			-	51,642
U.S. Department of Homeland Security				
Passed through United Way of Greater Cincinnati:				
Emergency Food and Shelter National Board Program	97.024	N/A	-	32,000
Total U.S. Department of Homeland Security			-	32,000
Total Expenditures of Federal Awards			$ -	$ 4,871,084

(Continued)

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

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, 2023. 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.

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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, 2023, 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 June 24, 2024.

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.

June 24, 2024
Cincinnati, Ohio

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Accounting • Tax • Business Insight

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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, 2023. 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, 2023.

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.

June 24, 2024
Cincinnati, Ohio

BETHANY HOUSE SERVICES, INC. AND SUBSIDIARY

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

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
14.231	Emergency Solutions Grant
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, 2023

Reference Number	Summary of Finding	Status

No matters are reportable