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**Consolidated Financial Statements  
(and supplemental material)**

Year Ended December 31, 2007



**BDO Seidman, LLP**  
Accountants and Consultants

# **Bethany Christian Services (a not-for-profit corporation)**

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## Independent Auditors' Report

Board of Directors  
Bethany Christian Services  
Grand Rapids, Michigan

We have audited the accompanying consolidated statement of financial position of Bethany Christian Services and subsidiaries (a not-for-profit corporation) as of December 31, 2007, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2006 consolidated financial statements and, in our report dated March 23, 2007, we expressed an unqualified opinion on those consolidated financial statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bethany Christian Services and subsidiaries as of December 31, 2007, and the changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008, on our consideration of the Organization's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*BDO Seidman, LLP*

Grand Rapids, Michigan  
March 19, 2008

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# **Consolidated Financial Statements**

<i>December 31,</i>	Current Operating	Temporarily Restricted
<b>Assets</b>		
Cash and cash equivalents	\$ 5,316,418	\$ -
Investments (Note 3)	25,374,425	-
Accounts receivable, net of allowance for doubtful accounts of \$61,000 and \$68,000 for 2007 and 2006, respectively	6,756,537	-
Campaign pledges receivable (Note 4)	13,798	237,513
Prepaid expenses	335,258	-
Due from other funds	-	1,108,551
<b>Total current assets</b>	<b>37,796,436</b>	<b>1,346,064</b>
Property and equipment (Note 10)		
Land and land improvements	1,630,885	-
Buildings and improvements (Note 1)	13,453,320	-
Furniture and equipment	4,455,225	-
Vehicles	152,434	-
Construction in progress (estimated cost to complete of \$1,630,300)	378,869	5,750
	20,070,733	5,750
Less accumulated depreciation	7,762,959	-
<b>Net property and equipment</b>	<b>12,307,774</b>	<b>5,750</b>
Other assets		
Campaign pledges receivable, less current portion (Note 4)	11,059	15,424
Investment in unconsolidated affiliate (Note 12)	754,197	-
Deposits	91,382	-
<b>Total other assets</b>	<b>856,638</b>	<b>15,424</b>
<b>Total Assets</b>	<b>\$ 50,960,848</b>	<b>\$ 1,367,238</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidated Statements of Financial Position

	Totals	
Permanently Restricted	2007	2006
\$ -	\$ 5,316,418	\$ 5,463,669
124,584	25,499,009	26,601,943
-	6,756,537	6,097,257
-	251,311	462,587
-	335,258	228,009
-	1,108,551	4,703,151
124,584	39,267,084	43,556,616
-	1,630,885	1,578,361
-	13,453,320	11,577,547
-	4,455,225	4,327,318
-	152,434	133,602
-	384,619	1,038,839
-	20,076,483	18,655,667
-	7,762,959	7,364,954
-	12,313,524	11,290,713
-	26,483	304,751
-	754,197	782,234
-	91,382	94,578
-	872,062	1,181,563
\$ 124,584	\$ 52,452,670	\$ 56,028,892

*See accompanying notes to consolidated financial statements.*

<i>December 31,</i>	Current Operating	Temporarily Restricted
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,149,633	\$ -
Employee compensation and benefits	3,426,110	-
Deferred adoption fees	3,010,978	-
Due to other funds	1,108,551	-
Advance on margin line (Note 6)	2,106,698	-
Current maturities of long-term notes payable (Note 8)	78,671	-
Other liabilities	-	-
<b>Total current liabilities</b>	<b>11,880,641</b>	<b>-</b>
Long-term liabilities:		
Long-term notes payable, less current maturities (Note 8)	569,747	-
Annuities payable (Note 7)	436,631	-
Liability for pension benefits (Note 9)	3,367,844	-
<b>Total long-term liabilities</b>	<b>4,374,222</b>	<b>-</b>
<b>Total Liabilities</b>	<b>16,254,863</b>	<b>-</b>
<b>Commitments and Contingencies (Notes 5, 6, 7, 8, 9, 10 and 11)</b>		
<b>Net Assets</b>		
Unrestricted:		
Undesignated	22,690,882	-
Board designated - Children's Fund	12,011,405	-
Gifts for Bethany	3,698	-
Temporarily restricted:		
Building Fund	-	1,367,238
Permanently restricted	-	-
<b>Total Net Assets</b>	<b>34,705,985</b>	<b>1,367,238</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 50,960,848</b>	<b>\$ 1,367,238</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidated Statements of Financial Position

		Totals	
Permanently Restricted	2007	2006	
\$ -	\$ 2,149,633	\$ 1,982,960	
-	3,426,110	3,488,200	
-	3,010,978	3,385,555	
-	1,108,551	4,703,151	
-	2,106,698	-	
-	78,671	70,663	
-	-	455,093	
-	11,880,641	14,085,622	
-	569,747	648,418	
-	436,631	372,208	
-	3,367,844	3,533,927	
-	4,374,222	4,554,553	
-	16,254,863	18,640,175	
-	22,690,882	19,679,845	
-	12,011,405	11,899,329	
-	3,698	3,543	
-	1,367,238	5,693,924	
124,584	124,584	112,076	
124,584	36,197,807	37,388,717	
\$ 124,584	\$ 52,452,670	\$ 56,028,892	

See accompanying notes to consolidated financial statements.

<i>Year ended December 31,</i>	Current Operating	Temporarily Restricted
<b>Operating Revenues and Other Support</b>		
Contributions:		
Individual	\$ 4,960,963	\$ 546,122
Churches and affiliated organizations	1,566,129	-
Business and foundations	4,443,255	12,254
Other	524,279	-
Child support	29,960,884	-
Service fees	15,870,837	-
Investment income	1,549,323	-
Realized gain on investments	386,219	-
Unrealized gain (loss) on investments	(2,293,407)	-
Miscellaneous income	1,553,475	-
<b>Total Operating Revenues and Other Support</b>	<b>58,521,957</b>	<b>558,376</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidated Statements of Activities

Permanently Restricted	Totals	
	2007	2006
\$ -	\$ 5,507,085	\$ 5,036,161
-	1,566,129	1,489,318
11,375	4,466,884	4,242,833
-	524,279	527,904
-	29,960,884	27,606,227
-	15,870,837	16,557,872
1,133	1,550,456	1,466,649
-	386,219	1,099,097
-	(2,293,407)	531,388
-	1,553,475	1,591,399
12,508	59,092,841	60,148,848

<i>Year ended December 31,</i>	Current Operating	Temporarily Restricted
<b>Operating Expenses</b>		
Program services:		
Michigan:		
Residential:		
Social services	\$ 471,104	\$ -
Maintenance	1,340,831	-
Foster care:		
Social services	2,170,055	-
Maintenance	2,603,027	-
State adoptions	1,137,237	-
Refugee	1,778,150	-
Other programs	9,111,894	-
Adoptions, foster care and other programs outside of Michigan	32,637,966	-
Foster care:		
Illinois	749,985	-
Philadelphia	1,598,121	-
Total program services	53,598,370	-
Management and general	4,347,702	-
Fundraising	2,337,679	-
<b>Total Operating Expenses</b>	<b>60,283,751</b>	<b>-</b>
<b>Change in Net Assets From Operating Activities</b>	<b>(1,761,794)</b>	<b>558,376</b>
<b>Nonoperating Expenses</b>		
Effect of implementation of FASB Statement No. 158 (Note 9)	-	-
Net assets released from restrictions	4,885,062	(4,885,062)
<b>Total Nonoperating Expenses</b>	<b>4,885,062</b>	<b>(4,885,062)</b>
<b>Changes in Net Assets</b>	<b>\$ 3,123,268</b>	<b>\$ (4,326,686)</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidated Statements of Activities

Permanently Restricted	Totals	
	2007	2006
\$ -	\$ 471,104	\$ 562,469
-	1,340,831	1,600,871
-	2,170,055	1,956,550
-	2,603,027	2,215,274
-	1,137,237	2,940,392
-	1,778,150	1,631,855
-	9,111,894	6,340,576
-	32,637,966	30,329,031
-	749,985	813,159
-	1,598,121	1,421,346
-	53,598,370	49,811,523
-	4,347,702	4,018,332
-	2,337,679	2,324,509
-	60,283,751	56,154,364
12,508	(1,190,910)	3,994,484
-	-	(2,033,041)
-	-	-
-	-	(2,033,041)
\$ 12,508	\$ (1,190,910)	\$ 1,961,443

*See accompanying notes to consolidated financial statements.*

<i>Year ended December 31, 2007</i>	Michigan				
	Residential		Foster Care		State Adoptions
	Social Services	Maintenance	Social Services	Maintenance	
<b>Operating Expenses</b>					
Salaries	\$ 277,938	\$ 791,054	\$ 1,298,245	\$ -	\$ 709,243
Employee benefits	80,681	229,630	336,956	-	182,566
Payroll taxes	20,581	58,578	96,570	-	52,054
Professional fees	1,583	4,502	11,313	-	9,145
Supplies	6,209	17,673	22,667	-	14,106
Telephone	3,507	9,983	16,566	-	7,204
Postage and shipping	237	675	9,326	-	4,638
Occupancy	22,171	63,101	95,566	-	58,158
Outside printing	136	387	6,623	-	3,291
Travel and transportation	7,061	20,095	168,005	-	38,429
Advertising	-	-	27,138	-	15,650
Special assistance	23,049	65,601	-	2,603,027	10,337
Overseas contributions	-	-	-	-	-
Miscellaneous	7,396	21,052	47,674	-	20,910
Depreciation	20,555	58,500	33,406	-	11,506
<b>Total Operating Expenses</b>	<b>\$ 471,104</b>	<b>\$ 1,340,831</b>	<b>\$ 2,170,055</b>	<b>\$ 2,603,027</b>	<b>\$ 1,137,237</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidated Statements of Functional Expenses

		Adoptions, Foster Care and Other Programs	Foster Care		Management and General	Fundraising	Total
Refugee	Other Programs	Outside of Michigan	Illinois	Philadelphia			
\$ 406,898	\$ 4,922,759	\$ 14,509,907	\$ 317,966	\$ 547,148	\$ 1,995,456	\$ 811,167	\$26,587,781
134,351	1,087,962	3,344,413	82,972	150,197	449,147	189,305	6,268,180
29,838	356,515	1,090,152	24,186	41,810	144,981	60,999	1,976,264
42,155	287,740	1,258,797	19,053	6,773	241,768	70,960	1,953,789
1,590	115,714	317,603	5,491	6,518	14,977	9,905	532,453
3,791	71,991	484,423	7,979	12,239	42,419	10,694	670,796
4,927	40,731	460,890	4,481	4,970	66,371	59,617	656,863
14,124	394,240	2,032,442	22,929	93,805	160,568	54,532	3,011,636
1,331	71,640	457,323	307	1,542	46,564	135,633	724,777
53,993	402,368	1,297,123	15,808	29,332	129,636	35,058	2,196,908
11,892	176,576	1,707,074	535	15,148	30,434	9,600	1,994,047
1,041,846	621,582	3,155,244	197,739	635,576	68	38	8,354,107
-	-	702,389	-	-	-	-	702,389
27,566	460,583	1,620,285	45,648	49,671	736,523	867,681	3,904,989
3,848	101,493	199,901	4,891	3,392	288,790	22,490	748,772
<b>\$ 1,778,150</b>	<b>\$ 9,111,894</b>	<b>\$ 32,637,966</b>	<b>\$ 749,985</b>	<b>\$ 1,598,121</b>	<b>\$ 4,347,702</b>	<b>\$ 2,337,679</b>	<b>\$60,283,751</b>

*See accompanying notes to consolidated financial statements.*

<i>Year ended December 31, 2006</i>	Michigan				
	Residential		Foster Care		State Adoptions
	Social Services	Maintenance	Social Services	Maintenance	
<b>Operating Expenses</b>					
Salaries	\$ 358,132	\$ 1,019,297	\$ 1,238,101	\$ -	\$ 1,849,265
Employee benefits	69,801	198,663	209,534	-	339,636
Payroll taxes	26,452	75,285	96,681	-	127,759
Professional fees	3,724	10,600	8,029	-	78,183
Supplies	8,687	24,726	21,545	-	38,069
Telephone	3,674	10,458	15,560	-	31,605
Postage and shipping	237	675	9,404	-	20,487
Occupancy	27,102	77,136	100,692	-	178,467
Outside printing	141	403	8,679	-	9,767
Travel and transportation	9,617	27,371	138,812	-	112,656
Advertising	34	95	22,322	-	44,682
Special assistance	26,372	75,058	-	2,215,274	11,897
Overseas contributions	-	-	-	-	-
Miscellaneous	6,746	19,199	51,537	-	83,639
Depreciation	21,750	61,905	35,654	-	14,280
<b>Total Operating Expense</b>	562,469	1,600,871	1,956,550	2,215,274	2,940,392
<b>Nonoperating Expense</b>					
Effect of implementation of FASB Statement No. 158	27,983	79,643	105,811	-	138,339
<b>Total Expenses</b>	\$ 590,452	\$ 1,680,514	\$ 2,062,361	\$ 2,215,274	\$ 3,078,731

# Bethany Christian Services (a not-for-profit corporation)

## Consolidated Statements of Functional Expenses

		Adoptions, Foster Care and Other Programs	Foster Care		Management and General	Fundraising	Total
Refugee	Other Programs	Outside of Michigan	Illinois	Philadelphia			
\$ 410,145	\$ 3,399,661	\$ 13,579,111	\$ 352,178	\$ 487,038	\$ 1,951,496	\$ 769,397	\$ 25,413,821
83,441	494,050	2,168,891	78,651	98,838	313,131	116,386	4,171,022
30,536	249,566	1,022,597	26,903	34,378	140,221	62,360	1,892,738
46,157	226,908	1,137,102	8,554	8,772	161,078	76,349	1,765,456
284	85,956	327,630	5,602	6,029	19,677	11,991	550,196
3,632	47,482	460,695	9,232	10,340	62,048	12,424	667,150
4,012	26,484	455,213	6,004	3,749	45,788	59,379	631,432
16,265	281,397	1,895,060	17,061	91,377	167,468	52,229	2,904,254
1,233	56,632	447,596	398	906	34,769	116,353	676,877
51,517	270,025	1,197,070	13,051	29,664	129,672	37,172	2,016,627
12,873	79,900	1,130,629	9,224	16,497	11,831	21,766	1,349,853
945,209	632,597	4,130,762	245,915	614,818	452	56	8,898,410
-	-	798,471	-	-	-	-	798,471
22,630	394,219	1,417,351	34,899	14,910	689,484	964,817	3,699,431
3,921	95,699	160,853	5,487	4,030	291,217	23,830	718,626
1,631,855	6,340,576	30,329,031	813,159	1,421,346	4,018,332	2,324,509	56,154,364
32,441	266,054	1,092,487	30,457	36,685	155,406	67,735	2,033,041
\$ 1,664,296	\$ 6,606,630	\$ 31,421,518	\$ 843,616	\$ 1,458,031	\$ 4,173,738	\$ 2,392,244	\$ 58,187,405

*See accompanying notes to consolidated financial statements.*

# Bethany Christian Services (a not-for-profit corporation)

## Consolidated Statements of Changes in Net Assets

	Current Operating	Temporarily Restricted	Permanently Restricted	Total
<b>Balance, January 1, 2006</b>	\$ 29,148,972	\$ 6,181,618	\$ 96,684	\$ 35,427,274
<b>Changes in Net Assets</b>				
Unrestricted	2,433,745	-	-	2,433,745
Temporarily restricted	-	(487,694)	-	(487,694)
Permanently restricted	-	-	15,392	15,392
<b>Total changes in net assets</b>	<b>2,433,745</b>	<b>(487,694)</b>	<b>15,392</b>	<b>1,961,443</b>
<b>Balance, December 31, 2006</b>	<b>31,582,717</b>	<b>5,693,924</b>	<b>112,076</b>	<b>37,388,717</b>
<b>Changes in Net Assets</b>				
Unrestricted	3,123,268	-	-	3,123,268
Temporarily restricted	-	(4,326,686)	-	(4,326,686)
Permanently restricted	-	-	12,508	12,508
<b>Total changes in net assets</b>	<b>3,123,268</b>	<b>(4,326,686)</b>	<b>12,508</b>	<b>(1,190,910)</b>
<b>Balance, December 31, 2007</b>	<b>\$ 34,705,985</b>	<b>\$ 1,367,238</b>	<b>\$ 124,584</b>	<b>\$ 36,197,807</b>

*See accompanying notes to consolidated financial statements.*

# Bethany Christian Services (a not-for-profit corporation)

## Consolidated Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2007</b>	<b>2006</b>
<b>Operating Activities</b>		
Changes in net assets	\$ (1,190,910)	\$ 1,961,443
Adjustments to reconcile changes in net assets to net cash from (for) operating activities:		
Depreciation	748,772	718,626
Amortization of intangible asset from pension plan	-	271,330
Effect of implementation of FASB Statement No. 158	-	2,033,041
Unrealized loss (gain) on investments	2,293,407	(531,388)
Gain from sale of investments	(386,219)	(1,099,097)
Loss on disposal of equipment	28,168	50,763
Earnings in unconsolidated investment	(34,363)	(39,643)
Net present value adjustment of annuities payable	64,652	(37,874)
Changes in assets and liabilities:		
Accounts receivable	(659,282)	528,364
Prepaid expense	(107,250)	309,653
Deposits	3,197	(9,739)
Accounts payable and accrued expenses	(353,072)	288,908
Employee compensation and benefits	(62,090)	346,903
Deferred adoption fees	(374,577)	241,472
Liability for pension benefits	(166,083)	(1,523,545)
<b>Net Cash From (for) Operating Activities</b>	<b>(195,650)</b>	<b>3,509,217</b>
<b>Investing Activities</b>		
Additions to property and equipment	(1,799,751)	(1,754,234)
Purchase of investments	(8,593,934)	(10,716,443)
Proceeds from sale of investments	7,789,680	9,266,460
Distributions from unconsolidated affiliate	62,400	51,000
<b>Net Cash for Investing Activities</b>	<b>(2,541,605)</b>	<b>(3,153,217)</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidated Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2007</b>	<b>2006</b>
<b>Financing Activities</b>		
Decrease in campaign pledges receivable	\$ 489,546	\$ 568,441
Decrease in annuities payable	64,423	150,211
Proceeds from advance on margin line	2,106,698	-
Principal payments on long-term debt	(70,663)	(62,021)
<b>Net Cash From Financing Activities</b>	<b>2,590,004</b>	<b>356,209</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(147,251)</b>	<b>712,209</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>5,463,669</b>	<b>4,751,460</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 5,316,418</b>	<b>\$ 5,463,669</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 185,232	\$ 122,451

*See accompanying notes to consolidated financial statements.*

# **Bethany Christian Services (a not-for-profit corporation)**

## **Notes to Consolidated Financial Statements**

### **1. Organization**

Bethany Christian Services and its subsidiaries (Organization) are not-for-profit corporations described in Internal Revenue Code (IRC) Section 501(c)(3), exempt from taxation under Sections 501(a) and 509(a)(3) of the IRC. Bethany Christian Services is the sole member of the subsidiaries. The Organization operates a child placement agency and provides such services as foster care, pregnancy counseling, adoptive services and other related social services as may be appropriate in stabilizing and/or improving human relationships and conditions. Currently, these services are provided in 30 home offices in 30 states. Approximately 51% and 47% of operating revenue in 2007 and 2006, respectively, was derived from services provided under contract with governmental units.

### **2. Summary of Significant Accounting Policies**

#### ***Consolidated Financial Statements***

The consolidated financial statements include the accounts of Bethany Christian Services and its subsidiaries. All significant inter-organization accounts and transactions have been eliminated in consolidation except for the due from/to other funds accounts on the consolidated statements of financial position related to building construction.

#### ***Comparative Financial Information***

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 Organization's consolidated financial statements for the year ended December 31, 2007, from which the summarized information was derived.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

# Bethany Christian Services (a not-for-profit corporation)

## Notes to Consolidated Financial Statements

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand, cash on deposit with banks, and other highly liquid investments with an original maturity of three months or less.

### *Basis of Accounting*

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

### *Concentrations of Credit Risk*

The Organization maintains its cash accounts in national banks and does not consider there to be a significant credit risk arising from deposits in excess of federally insured limits.

### *Advertising*

The Organization expenses advertising costs as incurred. Advertising expenses amounted to \$1,994,048 and \$1,349,853 in 2007 and 2006, respectively.

### *Property and Equipment*

Tangible assets having a useful life in excess of one year, with cost in excess of \$5,000, are capitalized. Property and equipment are recorded at cost, except for donated items which are recorded at fair market value as of the date of receipt. Expenses for maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight line method based on the following estimated useful lives of the related assets:

	Years
Buildings	40
Land improvements	20
Furniture and fixtures	10
Machinery and equipment	3-6
Vehicles	3

# Bethany Christian Services (a not-for-profit corporation)

## Notes to Consolidated Financial Statements

### *Health Insurance Benefits*

Health insurance benefits for employees are funded by the Organization up to the stop-loss limits provided for in an agreement with its insurance carrier. The Organization is insured for amounts in excess of these limits. Operations are charged with the cost of the claims reported, and a provision has been made for reported but unpaid claims and claims incurred but not reported at year end.

### *Basis of Presentation*

Net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets* - Net assets which are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that should be met either by actions of the Organization and/or the passage of time. Net assets are temporarily restricted mainly for construction projects.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations requiring that they be maintained permanently by the Organization.

Revenues, adoption fees, contributions, and investment income are reported as follows:

- Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Temporarily restricted contributions whose restrictions are satisfied in the same year in which the contribution revenue is recorded are reported as unrestricted contributions.
- The fee for domestic and international adoption services is billed at the time the home study is complete. The Organization's policy is to recognize a portion of the fee at the time of home study completion, a portion at the time of placement, and the

# Bethany Christian Services (a not-for-profit corporation)

## Notes to Consolidated Financial Statements

remainder when the adoption is closed. Deferred adoption fees represent fees billed to prospective parents and collected in advance of providing these services.

- Prospective parents involved in the domestic and international adoption process are charged a fee for services which consists of the home study, placement of the child, and supervision during the post-placement probationary time period. The international adoption process also includes fees charged by the Organization for acting as a liaison with the international agency.
- Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the years ended December 31, 2007 and 2006, contributed services and materials were approximately \$507,000 and \$365,000, respectively.

### 3. Investments

Investments consist of marketable securities. Investments are carried at fair value based on quoted market prices as of the balance sheet date and are summarized as follows:

<i>December 31,</i>	<b>2007</b>	2006
Stocks	<b>\$17,717,910</b>	\$16,587,230
Bonds and notes	<b>4,819,995</b>	6,970,697
Mutual funds	<b>2,062,139</b>	1,498,501
Annuities	<b>898,965</b>	1,545,515
	<b>\$25,499,009</b>	\$26,601,943

# Bethany Christian Services (a not-for-profit corporation)

## Notes to Consolidated Financial Statements

### 4. Campaign Pledges Receivable

In 2001, the Organization began a \$30.2 million campaign fund drive, the goals of which are to raise \$6.2 million for facilities and \$24 million for the Children's Fund. The Board of Directors gave contributors the option of designating their gifts either for facilities or the Children's Fund. Contributions made by donors who did not designate their contribution are assumed to have been made for facilities until the facilities goal has been obtained. The discount rate used on long-term promises to give was 7% in 2007 and 2006.

Unconditional promises to give consists of the following:

<i>December 31,</i>	<b>2007</b>	<b>2006</b>
Receivable due in less than one year	<b>\$ 251,311</b>	\$ 462,587
Receivable due in one to four years	<b>28,940</b>	331,557
Gross unconditional promises to give	<b>280,251</b>	794,144
Less: discounts to net present value	<b>2,457</b>	26,806
<b>Net Unconditional Promises to Give</b>	<b>\$ 277,794</b>	\$ 767,338

### 5. Line of Credit

The Organization has a line of credit agreement which permitted borrowings up to \$2,000,000 and bears interest at 0.75% below the prime rate. At December 31, 2007 and 2006, there were no amounts outstanding under this line of credit agreement.

### 6. Margin Account

The Organization has entered into a margin credit agreement which permitted borrowings up to \$3,469,000, and had interest at 0.5% above the monthly money call rate, effectively 6.5% at December 31, 2007. At December 31, 2007, there was \$2,106,698 outstanding under this margin credit agreement.

# Bethany Christian Services (a not-for-profit corporation)

## Notes to Consolidated Financial Statements

### 7. Annuities Payable

Donors may transfer assets to the Organization in exchange for the right to receive a predetermined return during their lifetime (an annuity). A portion of the transfer is considered to be a charitable contribution for income tax purposes. Upon receipt of the transfer, the Organization records a liability for the annuity payable at the present value of future payments based on life expectancy and current interest rates. The difference between the liability recognized for the annuity and the amount of the transfer is recognized as unrestricted contribution income at the date of the gift unless the gift portion is restricted. Annuity payments are charged against the liability, which at the end of each fiscal year is adjusted to the present value of future payments based on life expectancy and the applicable discount rate as published by the Internal Revenue Service. Discount rates of 4.6% per annum were used in 2007 and 2006. The resulting adjustments of approximately \$(65,000) and \$38,000 were made to investment income in the statements of activities for the years ended December 31, 2007 and 2006, respectively.

### 8. Notes Payable

Long-term debt consists of a \$162,895 note payable, secured by a mortgage, to an individual with payments due in monthly installments of \$4,004, including interest, with a final payment due December 31, 2011. Interest accrues at 8.35%.

Long-term debt also consists of a \$485,523 note payable, secured by a mortgage, to a company with payments due in monthly installments ranging from \$7,077 to \$6,333, including interest, and final balloon payment due May 1, 2010; at that time the Organization will initiate a sale/lease back transaction. Interest accrues at 8.0%. Under the terms of the mortgage, the mortgagor has the option to repurchase the mortgaged real estate on the five year anniversary date of the closing date of the transaction for the then current balance of principal and accrued and unpaid interest.

Future scheduled maturities of long-term debt are as follows:

*Year ending December 31,*

2008	\$ 78,671
2009	86,997
2010	405,094
2011	77,656
	<hr/>
	\$ 648,418

# Bethany Christian Services (a not-for-profit corporation)

## Notes to Consolidated Financial Statements

### 9. Employee Benefit Plans

The Organization has a non-contributory defined benefit pension plan (Plan) covering substantially all full-time employees. The benefits are based on years of service and compensation. Plan assets consist principally of common stocks and U.S. government and corporate obligations.

In September 2006, the FASB issued Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. Statement No. 158 requires the Organization to recognize the funded status of its pension and retiree health care plans as a prepaid asset or accrued liability, and to disclose as part of net assets the net deferred and unrecognized gains and losses related to the plans. Previously, the net deferred and unrecognized gains and losses were netted in the prepaid asset or accrued liability recorded for the retirement plans, and an additional minimum liability and an intangible asset were recorded for certain pension plans. The Organization is required to adopt the recognition and disclosure provisions of Statement No. 158 for its year ended December 31, 2007. However, the Organization decided to early adopt the recognition and disclosure provisions of Statement No. 158 as of December 31, 2006. The implementation of Statement No. 158 resulted in an additional liability for retirement plans and a reduction in unrestricted net assets of approximately \$2,033,000 for the year ended December 31, 2006.

The benefit obligations of the retirement plan exceed the value of the plan assets at December 31, 2007 and 2006. This difference represents the "Funded Status" of the plan. The amount that the plan is under funded decreased from December 31, 2006 to December 31, 2007. This is due, in part, to an increase in the fair market value of the plan assets. The discount rate used in determining the net periodic benefit cost also increased in 2007, resulting in a decrease in the benefit obligations as determined by the Organization's actuary. In addition, Bethany Christian Services increased the contribution to the plan in 2007.

As a result of the under-funded benefit obligations, the Organization recorded a liability for pension benefits and accrued pension cost. The combination of these two liabilities constitutes the "Funded" or "Under-funded" status of the plan.

# Bethany Christian Services (a not-for-profit corporation)

## Notes to Consolidated Financial Statements

Financial information regarding the Plan is as follows:

<i>December 31,</i>	<b>2007</b>	2006
<b>Obligation and Funded Status</b>		
Benefit obligation	\$ (18,150,748)	\$ (16,736,027)
Plan assets at fair value	<b>14,329,874</b>	12,430,646
<b>Under-Funded Status</b>	<b>\$ (3,820,874)</b>	\$ (4,305,381)

The components of the under-funded status are as follows:

<i>December 31,</i>	<b>2007</b>	2006
Unrecognized prior service cost	\$ 108,530	\$ 189,930
Unrecognized net loss	<b>3,259,314</b>	3,343,997
Accrued pension cost	<b>453,030</b>	771,454
<b>Under-Funded Status</b>	<b>\$ 3,820,874</b>	\$ 4,305,381

The following table shows the components of net periodic pension cost for the current and prior fiscal years.

<i>Year ended December 31,</i>	<b>2007</b>	2006
<b>Net Periodic Pension Cost</b>		
Service cost	\$ 1,216,553	\$ 1,110,715
Interest cost	<b>1,050,788</b>	928,078
Expected return on assets	<b>(998,890)</b>	(822,688)
Amortization of prior service cost	<b>81,400</b>	81,400
Amortization of loss	<b>243,725</b>	389,221
<b>Net Periodic Pension Cost</b>	<b>\$ 1,593,576</b>	\$ 1,686,726

The accumulated benefit obligation was \$14,892,913 and \$13,727,482 at the measurement dates of December 31, 2007 and 2006, respectively.

# Bethany Christian Services (a not-for-profit corporation)

## Notes to Consolidated Financial Statements

<i>Year ended December 31,</i>	<b>2007</b>	2006
<b>Additional Information</b>		
Employer contributions	\$ 1,912,000	\$ 1,712,654
Benefits paid	<b>405,051</b>	359,729
Benefit cost	<b>1,593,576</b>	1,686,726
Accrued pension cost (included in current liabilities)	<b>(453,030)</b>	(771,454)
	<b>2007</b>	2006
<b>Assumptions</b>		
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	<b>6.25%</b>	6.0%
Expected return on plan assets	<b>8.0</b>	8.0
Rate of compensation increase	<b>3.5</b>	3.5
Weighted-average assumptions used to determine benefit obligation at December 31:		
Discount rate	<b>6.50</b>	6.25
Rate of compensation increase	<b>3.5</b>	3.5

The expected rate of return assumption was selected as an estimate of anticipated future long-term rates of return on Plan assets as measured on a market value basis. Factors considered in making this selection include (a) historical long-term rates of return for broad asset classes, (b) actual past rates of return achieved by the Plan, (c) the general mix of assets held by the Plan and (d) the stated investment policy for the Plan. The selected rate of return is net of anticipated investment-related expenses.

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# Bethany Christian Services (a not-for-profit corporation)

## Notes to Consolidated Financial Statements

### *Plan Assets*

The Plan's assets are as follows:

<i>December 31,</i>	<b>2007</b>	2006
Common stocks	\$ 4,082,458	\$ 4,522,100
Corporate bonds	2,008,613	2,871,626
U.S. government securities	780,923	1,014,783
Money market fund	348,166	944,802
Mutual funds	6,418,579	3,077,335
Hedge fund	691,135	-
<b>Total</b>	<b>\$ 14,329,874</b>	<b>\$12,430,646</b>

The Organization's investment policy for Plan assets is to emphasize principal growth and subsequent income versus current income. Year-to-year volatility in the value of the principal is of minor concern given the Organization's long-term time horizon. The Organization is most interested in maximizing principal and income, after the effects of inflation, over the long run. Target asset allocation percentages are as follows:

Other investments	0% - 5%
Fixed income	30% - 60%
Equities	30% - 70%

### *Cash Flows*

The Organization expects to contribute approximately \$1,800,000 to the Plan in 2008. The following benefit payments, which include expected future service, as appropriate, are expected to be paid as follows:

<i>Year ending December 31,</i>	
2008	\$ 621,000
2009	737,000
2010	795,000
2011	931,000
2012	1,060,000
2013-2016	7,251,000

# Bethany Christian Services (a not-for-profit corporation)

## Notes to Consolidated Financial Statements

The Organization also maintains a deferred compensation plan qualified under Section 403(b) of the IRC. The Organization accounts for this plan under the pay as you go method and makes annually determined discretionary matching contributions as of the end of each plan year or more frequently, as determined by the employer. Under this plan, eligible employees are permitted to contribute up to 20% of annual compensation into the retirement plan (except to the extent a larger amount is permitted under the exclusion allowance) up to the maximum dollar amount determined by the IRC. The Organization matches employee contributions for employees with at least two years of service. The Organization determines the matching contribution formula on a year-by-year basis. Historically, the Organization has matched \$.20 to \$.40 per \$1.00 contributed, prorated based on years of service. Matching contributions do not exceed 2.4% of an employee's income. During 2007, the Organization began making matching contributions more frequently, as permitted, along with each payroll period. The result was that in 2007, the Organization paid the annual matching contribution for 2006 in addition to the 2007 matching contributions. Discretionary contributions to the plan for the years ended December 31, 2007 and 2006 were \$243,667 and \$98,248, respectively.

### 10. Lease Commitments

The Organization leases office space and automobiles under noncancelable operating leases. Minimum rental commitments as of December 31, 2007, for these leases are as follows:

*Year ending December 31,*

2008	\$1,359,006
2009	887,735
2010	628,487
2011	406,985
2012	314,813
	<hr/>
	\$3,597,026

Total rent expense was \$1,900,663 and \$1,826,317 for 2007 and 2006, respectively.

# **Bethany Christian Services (a not-for-profit corporation)**

## **Notes to Consolidated Financial Statements**

### **11. Commitments and Contingencies**

The Organization is subject to several legal proceedings arising in connection with the operation of its business. The amount of any liability which might exist cannot reasonably be estimated and a provision for loss has not been made in the accompanying consolidated financial statements. It is management's opinion that the ultimate resolution of the aforementioned claims will not have a material adverse effect on the Organization's consolidated financial position or results of operations.

Pursuant to an agreement with a bank, the Organization issued loan guarantees during 2007 and 2006 to the bank on behalf of adopting parents. Under the loan guarantee program, prospective parents enter into loan agreements with maturities ranging from two to five years with the bank for certain adoption expenses. The bank disburses the funds directly to the Organization. The Organization is required to pay off the loans to the bank if the adopting parents fail to repay the loan within 90 days of the maturity date. The maximum potential amount of unrecorded guarantees is \$1,214,414 and \$2,217,013 at December 31, 2007 and 2006, respectively. Although management does not anticipate incurring material losses on these guarantees, a provision for possible losses of \$40,000 is recorded at December 31, 2007 and 2006.

### **12. Investment in Unconsolidated Affiliate**

During 2005, the Organization purchased a 40% minority interest in a limited liability company for \$802,060. This investment is accounted for using the equity method of accounting. The Organization recognized income of \$34,363 and \$39,643 and a distribution of \$62,400 and \$51,000 for the years ended December 31, 2007 and 2006, respectively.

## **Supplemental Material**





**BDO Seidman, LLP**  
Accountants and Consultants

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Grand Rapids, Michigan 49503-2654  
Telephone: (616) 774-7000  
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## **Independent Auditors' Report on Supplemental Material**

Our audits of the basic consolidated financial statements included in the preceding section of this report were performed for the purpose of forming an opinion on those statements taken as a whole. The supplemental material presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This supplemental material is the responsibility of the Organization's management. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*BDO Seidman, LLP*

Grand Rapids, Michigan  
March 19, 2008

<i>December 31, 2007</i>	Total	Arkansas	California, Northern	California, Southern	Colorado
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 5,316,419	\$ 900	\$ (113,988)	\$ 17,978	\$ 20,573
Investments	25,499,009	406,724	-	175,245	593,967
Accounts receivable, net	6,756,539	1,800	88,301	61,043	94,512
Campaign pledges receivable	251,311	-	66,540	-	-
Prepaid expenses	335,259	2,945	1,899	6,363	4,598
Due from other funds	1,108,551	-	211,372	-	-
Total current assets	39,267,088	412,369	254,124	260,629	713,650
Property and equipment					
Land and land improvements	1,630,885	-	43,667	-	-
Buildings and improvements	13,453,320	-	2,060,321	-	-
Furniture and equipment	4,455,225	5,787	157,779	-	6,415
Vehicles	152,434	-	19,000	-	-
Construction in progress	384,619	-	-	-	-
	20,076,483	5,787	2,280,767	-	6,415
Less accumulated depreciation	7,762,960	5,787	271,541	-	6,415
Net property and equipment	12,313,523	-	2,009,226	-	-
Other assets					
Campaign pledges receivable	26,481	-	792	-	-
Investment in unconsolidated affiliate	754,197	-	-	-	-
Deposits	91,381	-	2,000	5,371	1,600
Total other assets	872,059	-	2,792	5,371	1,600
<b>Total Assets</b>	<b>\$ 52,452,670</b>	<b>\$ 412,369</b>	<b>\$ 2,266,142</b>	<b>\$ 266,000</b>	<b>\$ 715,250</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 2,149,633	\$ 17,476	\$ 1,442	\$ 6,324	\$ 31,890
Employee compensation and benefits	3,426,110	13,874	69,452	39,390	49,418
Deferred adoption fees	3,010,978	2,450	49,970	12,000	19,900
Due to other funds	1,108,551	-	211,372	-	-
Advance on margin line	2,106,698	-	-	-	-
Current maturities of long-term notes payable	78,671	-	-	-	-
Total current liabilities	11,880,641	33,800	332,236	57,714	101,208
Long-term liabilities:					
Long-term notes payable, less current maturities	569,747	-	-	-	-
Annuities payable	436,631	-	-	-	-
Additional minimum pension liability	3,367,844	27,856	74,660	57,704	58,030
Total long-term liabilities	4,374,222	27,856	74,660	57,704	58,030
<b>Total Liabilities</b>	<b>16,254,863</b>	<b>61,656</b>	<b>406,896</b>	<b>115,418</b>	<b>159,238</b>
<b>Net Assets, beginning of year</b>	<b>37,388,717</b>	<b>275,237</b>	<b>1,545,399</b>	<b>12,094</b>	<b>573,531</b>
<b>Change in net assets</b>	<b>(1,190,910)</b>	<b>75,476</b>	<b>313,847</b>	<b>138,488</b>	<b>(17,519)</b>
<b>Net Assets, end of year</b>	<b>36,197,807</b>	<b>350,713</b>	<b>1,859,246</b>	<b>150,582</b>	<b>556,012</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 52,452,670</b>	<b>\$ 412,369</b>	<b>\$ 2,266,142</b>	<b>\$ 266,000</b>	<b>\$ 715,250</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidating Statement of Financial Position

	Florida	Georgia	Illinois	Indiana	Iowa, Northwest	Iowa, South Central
\$	(34,072)	\$ 23,305	\$ (111,089)	\$ 25,497	\$ 23,818	\$ 14,496
	-	1,857,216	-	435,680	270,234	508,981
	952	706,289	73,224	405,006	71,209	115,890
	-	-	-	-	-	-
	1,600	18,981	2,438	6,247	2,513	4,643
	-	97,000	-	-	-	-
	(31,520)	2,702,791	(35,427)	872,430	367,774	644,010
	-	-	81,000	-	-	-
	-	93,950	494,000	-	-	-
	-	42,537	92,099	11,308	11,605	15,375
	-	53,980	-	-	-	-
	-	-	-	-	-	-
	-	190,467	667,099	11,308	11,605	15,375
	-	53,853	88,295	3,926	3,718	9,921
	-	136,614	578,804	7,382	7,887	5,454
	-	-	-	-	-	-
	-	754,197	-	-	-	-
	290	1,139	-	-	-	2,000
	290	755,336	-	-	-	2,000
\$	(31,230)	\$ 3,594,741	\$ 543,377	\$ 879,812	\$ 375,661	\$ 651,464
\$	1,146	\$ 84,418	\$ 24,018	\$ 16,995	\$ 2,598	\$ 190
	12,487	182,433	50,530	103,286	36,142	35,093
	7,900	95,719	10,200	51,025	10,500	42,600
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	42,881	-	-	-
	21,533	362,570	127,629	171,306	49,240	77,883
	-	-	442,642	-	-	-
	-	-	-	-	-	-
	15,551	194,398	96,972	82,392	44,306	36,343
	15,551	194,398	539,614	82,392	44,306	36,343
	37,084	556,968	667,243	253,698	93,546	114,226
	26,836	3,082,669	(107,460)	696,881	207,766	590,549
	(95,150)	(44,896)	(16,406)	(70,767)	74,349	(53,311)
	(68,314)	3,037,773	(123,866)	626,114	282,115	537,238
\$	(31,230)	\$ 3,594,741	\$ 543,377	\$ 879,812	\$ 375,661	\$ 651,464

<i>December 31, 2007</i>	Maryland	Michigan	Minnesota	Mississippi	Missouri
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 8,131	\$ 729,848	\$ 7,797	\$ 12,195	\$ 3,581
Investments	441,999	6,222,309	170,341	900,586	89,787
Accounts receivable, net	22,819	3,349,167	82,163	3,447	18,390
Campaign pledges receivable	-	38,069	-	-	-
Prepaid expenses	3,918	38,833	5,524	2,538	-
Due from other funds	-	-	-	-	-
Total current assets	476,867	10,378,226	265,825	918,766	111,758
Property and equipment					
Land and land improvements	-	658,594	-	-	-
Buildings and improvements	-	5,279,113	-	-	-
Furniture and equipment	-	1,054,028	5,937	8,156	-
Vehicles	-	43,325	-	-	-
Construction in progress	-	337,824	-	-	-
Less accumulated depreciation	-	7,372,884	5,937	8,156	-
Net property and equipment	-	3,381,075	5,772	-	-
Other assets					
Campaign pledges receivable	-	-	-	-	-
Investment in unconsolidated affiliate	-	-	-	-	-
Deposits	2,898	16,043	434	-	3,886
Total other assets	2,898	16,043	434	-	3,886
<b>Total Assets</b>	<b>\$ 479,765</b>	<b>\$ 13,775,344</b>	<b>\$ 272,031</b>	<b>\$ 918,766</b>	<b>\$ 115,644</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 1,239	\$ 393,773	\$ 1,518	\$ (449)	\$ 122
Employee compensation and benefits	35,810	991,176	29,855	43,865	31,784
Deferred adoption fees	19,400	170,580	15,766	8,670	19,597
Due to other funds	-	-	-	-	-
Advance on margin line	-	-	-	-	-
Current maturities of long-term notes payable	-	35,790	-	-	-
Total current liabilities	56,449	1,591,319	47,139	52,086	51,503
Long-term liabilities:					
Long-term notes payable, less current maturities	-	127,105	-	-	-
Annuities payable	-	-	-	-	-
Additional minimum pension liability	44,645	1,324,484	29,154	41,700	30,368
Total long-term liabilities	44,645	1,451,589	29,154	41,700	30,368
<b>Total Liabilities</b>	<b>101,094</b>	<b>3,042,908</b>	<b>76,293</b>	<b>93,786</b>	<b>81,871</b>
<b>Net Assets, beginning of year</b>	<b>433,339</b>	<b>9,550,789</b>	<b>257,398</b>	<b>765,380</b>	<b>171,398</b>
<b>Change in net assets</b>	<b>(54,668)</b>	<b>1,181,647</b>	<b>(61,660)</b>	<b>59,600</b>	<b>(137,625)</b>
<b>Net Assets, end of year</b>	<b>378,671</b>	<b>10,732,436</b>	<b>195,738</b>	<b>824,980</b>	<b>33,773</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 479,765</b>	<b>\$ 13,775,344</b>	<b>\$ 272,031</b>	<b>\$ 918,766</b>	<b>\$ 115,644</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidating Statement of Financial Position

	New England	New Jersey	North Carolina	Pennsylvania, Central	Pennsylvania, GDV	Pennsylvania, Western
\$	2,970	\$ 12,568	\$ 3,000	\$ 16,146	\$ 65,874	\$ 3,475
	1,817	522,865	948,787	370,185	800,097	66,664
	28,059	43,014	30,956	38,743	505,460	94,836
	-	13,400	-	-	119,504	-
	2,737	4,193	3,847	2,508	13,266	2,928
	-	336,972	-	-	463,207	-
	35,583	933,012	986,590	427,582	1,967,408	167,903
	-	-	-	-	-	-
	-	-	1,644	-	11,329	-
	-	10,495	6,164	18,266	41,050	11,055
	-	-	-	-	-	-
	-	1,750	-	-	4,000	-
	-	12,245	7,808	18,266	56,379	11,055
	-	3,498	2,502	18,266	28,558	3,409
	-	8,747	5,306	-	27,821	7,646
	-	3,534	-	-	11,096	-
	-	-	-	-	-	-
	2,414	4,300	1,500	3,524	14,611	1,333
	2,414	7,834	1,500	3,524	25,707	1,333
\$	37,997	\$ 949,593	\$ 993,396	\$ 431,106	\$ 2,020,936	\$ 176,882
\$	7,955	\$ 9,235	\$ 17,956	\$ 5,267	\$ 139,165	\$ 13,216
	22,536	29,766	34,059	43,645	144,882	25,279
	21,750	20,150	21,300	49,450	61,275	6,000
	-	336,972	-	-	463,207	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	52,241	396,123	73,315	98,362	808,529	44,495
	-	-	-	-	-	-
	-	-	-	-	-	-
	31,388	37,099	39,416	45,982	180,720	29,267
	31,388	37,099	39,416	45,982	180,720	29,267
	83,629	433,222	112,731	144,344	989,249	73,762
	(507)	181,278	904,224	219,477	861,452	92,254
	(45,125)	335,093	(23,559)	67,285	170,235	10,866
	(45,632)	516,371	880,665	286,762	1,031,687	103,120
\$	37,997	\$ 949,593	\$ 993,396	\$ 431,106	\$ 2,020,936	\$ 176,882

<i>December 31, 2007</i>	South Carolina	South Dakota, Eastern	South Dakota, Western	Tennessee, Chattanooga	Tennessee, Eastern
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 2,751	\$ (135,436)	\$ 4,386	\$ (54,476)	\$ 1,499
Investments	165,130	-	176,847	-	135,303
Accounts receivable, net	21,278	16,687	2,936	17,468	14,575
Campaign pledges receivable	-	-	-	-	-
Prepaid expenses	4,922	2,034	1,155	1,947	3,000
Due from other funds	-	-	-	-	-
Total current assets	194,081	(116,715)	185,324	(35,061)	154,377
Property and equipment					
Land and land improvements	-	-	-	-	-
Buildings and improvements	-	-	-	34,847	-
Furniture and equipment	13,952	-	-	-	-
Vehicles	-	-	-	-	-
Construction in progress	-	-	-	-	-
	13,952	-	-	34,847	-
Less accumulated depreciation	13,952	-	-	6,677	-
Net property and equipment	-	-	-	28,170	-
Other assets					
Campaign pledges receivable	-	-	-	-	-
Investment in unconsolidated affiliate	-	-	-	-	-
Deposits	2,500	1,000	833	5,000	2,000
Total other assets	2,500	1,000	833	5,000	2,000
<b>Total Assets</b>	<b>\$ 196,581</b>	<b>\$ (115,715)</b>	<b>\$ 186,157</b>	<b>\$ (1,891)</b>	<b>\$ 156,377</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 2,928	\$ 700	\$ 3,392	\$ 5,529	\$ 155
Employee compensation and benefits	48,770	13,200	9,533	24,569	20,927
Deferred adoption fees	45,200	2,700	2,700	9,299	8,856
Due to other funds	-	-	-	-	-
Advance on margin line	-	-	-	-	-
Current maturities of long-term notes payable	-	-	-	-	-
Total current liabilities	96,898	16,600	15,625	39,397	29,938
Long-term liabilities:					
Long-term notes payable, less current maturities	-	-	-	-	-
Annuities payable	-	-	-	-	-
Additional minimum pension liability	65,249	11,467	8,175	25,232	19,925
Total long-term liabilities	65,249	11,467	8,175	25,232	19,925
<b>Total Liabilities</b>	<b>162,147</b>	<b>28,067</b>	<b>23,800</b>	<b>64,629</b>	<b>49,863</b>
Net Assets, beginning of year	88,035	(75,592)	170,594	(105,951)	94,968
Change in net assets	(53,601)	(68,190)	(8,237)	39,431	11,546
Net Assets, end of year	34,434	(143,782)	162,357	(66,520)	106,514
<b>Total Liabilities and Net Assets</b>	<b>\$ 196,581</b>	<b>\$ (115,715)</b>	<b>\$ 186,157</b>	<b>\$ (1,891)</b>	<b>\$ 156,377</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidating Statement of Financial Position

Tennessee, Middle	Tennessee, West	Virginia, Fairfax	Virginia, Hampton Roads	Washington	Wisconsin	International	National Direct Services	Corporate
\$ (190,764)	\$ (40,518)	\$ (83,243)	\$ 3,298	\$ 12,666	\$ 45,308	\$ 43,411	\$ (182,223)	\$ 5,156,757
-	-	-	307,167	63,682	1,106,924	4,578,679	-	4,181,793
25,253	19,613	121,097	23,423	174,912	89,652	256,873	121,431	16,061
-	-	-	-	-	-	-	-	13,798
3,850	3,100	9,231	2,359	6,132	5,462	20,681	-	138,867
-	-	-	-	-	-	-	-	-
(161,661)	(17,805)	47,085	336,247	257,392	1,247,346	4,899,644	(60,792)	9,507,276
-	-	-	-	-	-	57,044	-	790,580
-	-	-	6,435	-	-	567,843	-	4,903,838
6,665	12,888	36,488	-	38,407	28,918	333,718	40,838	2,445,295
-	-	-	-	-	-	-	-	36,129
-	-	-	-	4,995	-	-	-	36,050
6,665	12,888	36,488	6,435	43,402	28,918	958,605	40,838	8,211,892
185	12,888	20,692	1,334	38,407	5,739	221,715	464	2,941,088
6,480	-	15,796	5,101	4,995	23,179	736,890	40,374	5,270,804
-	-	-	-	-	-	-	-	11,059
-	-	-	-	-	-	-	-	-
3,021	3,200	1,242	1,809	2,680	4,753	-	-	-
3,021	3,200	1,242	1,809	2,680	4,753	-	-	11,059
\$ (152,160)	\$ (14,605)	\$ 64,123	\$ 343,157	\$ 265,067	\$ 1,275,278	\$ 5,636,534	\$ (20,418)	\$ 14,789,139
\$ 7,398	\$ 484	\$ 10,634	\$ 3,209	\$ 20,850	\$ 7,388	\$ 1,034,669	\$ -	\$ 276,803
13,220	22,907	64,006	19,372	62,349	69,124	82,781	17,969	932,621
15,800	14,050	37,370	31,391	63,500	66,900	1,997,010	-	-
-	-	-	-	-	-	72,952	-	24,048
-	-	-	-	-	-	-	-	2,106,698
-	-	-	-	-	-	-	-	-
36,418	37,441	112,010	53,972	146,699	143,412	3,187,412	17,969	3,340,170
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	436,631
19,553	36,211	72,120	23,444	87,510	72,627	139,178	1,368	263,350
19,553	36,211	72,120	23,444	87,510	72,627	139,178	1,368	699,981
55,971	73,652	184,130	77,416	234,209	216,039	3,326,590	19,337	4,040,151
(19,112)	57,955	71,686	328,612	60,307	958,995	2,267,304	-	13,150,932
(189,019)	(146,212)	(191,693)	(62,871)	(29,449)	100,244	42,640	(39,755)	(2,401,944)
(208,131)	(88,257)	(120,007)	265,741	30,858	1,059,239	2,309,944	(39,755)	10,748,988
\$ (152,160)	\$ (14,605)	\$ 64,123	\$ 343,157	\$ 265,067	\$ 1,275,278	\$ 5,636,534	\$ (20,418)	\$ 14,789,139

See accompanying independent auditors' report on supplemental material.

<i>Year ended December 31, 2007</i>	Total	Arkansas	California, Northern	California, Southern	Colorado
<b>Operating Revenues</b>					
Contributions	\$ 12,872,645	\$ 251,714	\$ 1,111,781	\$ 335,209	\$ 124,142
Child support	29,960,884	9,555	62,000	-	746,764
Service fees	15,870,837	170,212	625,957	637,726	316,175
Investments and other	388,475	15,522	8,509	19,963	43,432
<b>Total Operating Revenues</b>	<b>59,092,841</b>	<b>447,003</b>	<b>1,808,247</b>	<b>992,898</b>	<b>1,230,513</b>
<b>Operating Expenses</b>					
Salaries	26,587,780	158,976	715,794	348,427	388,594
Employee benefits	6,268,180	33,023	125,110	65,026	73,130
Payroll taxes	1,976,267	12,042	54,221	26,279	28,950
Professional fees	1,953,787	3,192	29,983	24,116	54,894
Supplies	532,453	4,622	19,319	8,419	5,788
Telephone	670,797	8,601	15,219	14,195	16,965
Postage and shipping	656,864	5,285	16,890	14,088	9,326
Occupancy	3,011,635	31,763	89,338	85,848	61,429
Outside printing	724,776	4,431	12,199	9,107	9,636
Travel and transportation	2,196,906	11,295	33,256	23,705	42,226
Advertising	1,994,048	13,810	38,349	22,853	12,376
Special assistance	8,354,109	4,718	35,634	5,893	388,334
Overseas contributions	702,389	-	-	-	-
Miscellaneous	3,904,988	32,839	70,725	107,670	47,714
Depreciation	748,772	-	50,101	-	37
Support services	-	46,930	188,262	98,784	108,633
<b>Total Operating Expenses</b>	<b>60,283,751</b>	<b>371,527</b>	<b>1,494,400</b>	<b>854,410</b>	<b>1,248,032</b>
<b>Change in Net Assets</b>	<b>\$ (1,190,910)</b>	<b>\$ 75,476</b>	<b>\$ 313,847</b>	<b>\$ 138,488</b>	<b>\$ (17,519)</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidating Statement of Activities

	Florida	Georgia	Illinois	Indiana	Iowa, Northwest	Iowa, South Central
\$	96,524	\$ 272,387	\$ 240,957	\$ 134,554	\$ 244,805	\$ 250,344
	-	4,863,058	674,749	1,326,496	202,569	159,162
	201,753	777,675	252,720	716,728	308,158	668,727
	251	123,947	11,697	50,750	35,486	28,806
	298,528	6,037,067	1,180,123	2,228,528	791,018	1,107,039
	146,565	2,148,550	477,122	1,051,430	272,499	298,638
	44,288	516,817	130,563	296,085	69,959	68,821
	10,952	162,484	35,073	78,226	20,040	21,958
	43,002	137,773	22,119	12,916	25,513	129,995
	3,068	48,227	8,155	9,250	9,105	13,461
	5,586	97,400	10,900	19,460	14,738	22,486
	5,693	41,561	11,674	11,955	9,990	17,168
	30,167	296,146	33,461	85,411	35,453	61,270
	5,204	21,704	7,477	11,103	18,332	10,274
	14,996	142,191	26,622	108,926	41,783	55,600
	8,586	161,722	11,849	17,051	24,630	54,296
	5,281	1,299,810	199,281	278,769	5,638	213,535
	-	-	-	-	-	-
	21,077	335,271	68,139	58,579	79,104	54,413
	-	25,677	22,889	1,885	1,719	1,847
	49,213	646,630	131,205	258,249	88,166	136,588
	393,678	6,081,963	1,196,529	2,299,295	716,669	1,160,350
\$	(95,150)	\$ (44,896)	\$ (16,406)	\$ (70,767)	\$ 74,349	\$ (53,311)

<i>Year ended December 31, 2007</i>	Maryland	Michigan	Minnesota	Mississippi	Missouri
<b>Operating Revenues</b>					
Contributions	\$ 172,090	\$ 3,042,882	\$ 88,850	\$ 551,834	\$ 177,471
Child support	7,025	16,263,113	74,321	-	13,135
Service fees	325,885	2,668,296	362,133	175,078	317,241
Investments and other	25,252	486,711	18,408	42,565	16,461
<b>Total Operating Revenues</b>	<b>530,252</b>	<b>22,461,002</b>	<b>543,712</b>	<b>769,477</b>	<b>524,308</b>
<b>Operating Expenses</b>					
Salaries	278,991	8,791,577	288,824	323,882	268,489
Employee benefits	36,074	2,132,381	57,459	94,900	59,884
Payroll taxes	20,889	651,580	21,650	24,168	20,077
Professional fees	19,409	390,832	6,817	18,171	16,412
Supplies	2,908	179,023	3,354	3,036	6,361
Telephone	7,368	118,276	3,749	11,646	13,169
Postage and shipping	7,434	88,695	9,064	10,054	9,599
Occupancy	55,383	678,596	73,148	37,585	40,039
Outside printing	8,762	117,962	6,087	11,936	9,292
Travel and transportation	12,274	700,461	15,431	14,420	32,186
Advertising	27,501	250,975	22,580	12,072	47,764
Special assistance	13,724	4,365,474	3,766	11,630	21,741
Overseas contributions	-	-	-	-	-
Miscellaneous	22,356	633,988	19,021	50,824	36,053
Depreciation	-	243,328	165	-	-
Support services	71,847	1,936,207	74,257	85,553	80,867
<b>Total Operating Expenses</b>	<b>584,920</b>	<b>21,279,355</b>	<b>605,372</b>	<b>709,877</b>	<b>661,933</b>
<b>Change in Net Assets</b>	<b>\$ (54,668)</b>	<b>\$ 1,181,647</b>	<b>\$ (61,660)</b>	<b>\$ 59,600</b>	<b>\$ (137,625)</b>

# Bethany Christian Services (a not-for-profit corporation)

## Consolidating Statement of Activities

	New England	New Jersey	North Carolina	Pennsylvania, Central	Pennsylvania, GDV	Pennsylvania, Western
\$	182,270	\$ 545,463	\$ 215,112	\$ 134,112	\$ 659,969	\$ 144,633
	52,861	7,850	293,590	380,496	2,125,534	171,458
	213,131	535,029	311,944	298,360	467,536	242,770
	5,809	15,899	56,168	17,448	51,921	6,107
	454,071	1,104,241	876,814	830,416	3,304,960	564,968
	221,151	370,892	295,262	337,454	1,235,253	205,489
	34,439	64,439	66,100	90,561	299,764	48,465
	16,663	27,981	22,356	23,910	92,602	15,973
	20,190	6,144	52,728	6,685	23,859	21,877
	5,144	10,139	4,416	7,135	17,071	5,381
	11,788	9,107	16,245	10,062	32,610	10,813
	6,476	11,972	8,711	8,270	21,786	8,727
	48,914	68,026	50,977	44,450	179,000	33,324
	8,615	12,076	7,794	5,848	26,008	10,449
	23,795	22,546	26,363	29,372	65,370	22,190
	12,615	22,465	48,634	10,308	67,602	35,020
	7,642	16,970	197,181	80,494	645,744	39,053
	-	-	-	-	-	-
	22,012	30,982	15,123	23,005	107,794	31,899
	-	1,749	641	27	5,585	1,106
	59,752	93,660	87,842	85,550	314,677	64,336
	499,196	769,148	900,373	763,131	3,134,725	554,102
\$	(45,125)	\$ 335,093	\$ (23,559)	\$ 67,285	\$ 170,235	\$ 10,866

<i>Year ended December 31, 2007</i>	South Carolina	South Dakota, Eastern	South Dakota, Western	Tennessee, Chattanooga	Tennessee, Eastern
<b>Operating Revenues</b>					
Contributions	\$ 483,401	\$ 329,892	\$ 90,324	\$ 307,588	\$ 203,573
Child support	9,353	28,731	-	43,107	-
Service fees	379,135	100,715	93,575	120,523	234,110
Investments and other	6,737	701	28,013	17,745	3,270
<b>Total Operating Revenues</b>	878,626	460,039	211,912	488,963	440,953
<b>Operating Expenses</b>					
Salaries	397,284	112,166	81,212	171,969	199,055
Employee benefits	100,451	25,109	17,590	48,084	45,368
Payroll taxes	28,973	8,300	6,121	12,997	14,684
Professional fees	3,554	3,901	12,571	13,972	8,921
Supplies	7,084	4,208	2,421	4,735	3,771
Telephone	18,906	3,006	3,678	5,685	7,078
Postage and shipping	12,812	5,594	4,308	6,486	5,976
Occupancy	76,274	24,842	14,260	32,364	39,766
Outside printing	13,367	5,255	3,357	5,248	4,596
Travel and transportation	23,232	6,646	10,307	11,742	13,338
Advertising	31,558	258,737	13,047	13,204	23,096
Special assistance	30,847	3,769	11,960	13,892	14,524
Overseas contributions	-	-	-	-	-
Miscellaneous	72,733	21,268	12,506	53,369	(2,940)
Depreciation	-	-	-	851	-
Support services	115,152	45,428	26,811	54,934	52,174
<b>Total Operating Expenses</b>	932,227	528,229	220,149	449,532	429,407
<b>Change in Net Assets</b>	\$ (53,601)	\$ (68,190)	\$ (8,237)	\$ 39,431	\$ 11,546

# Bethany Christian Services (a not-for-profit corporation)

## Consolidating Statement of Activities

	Tennessee, Middle	Tennessee, West	Virginia, Fairfax	Virginia, Hampton Roads	Washington	Wisconsin	International	National Direct Services	Corporate
\$	111,363	\$ 278,608	\$ 256,751	\$ 97,765	\$ 479,609	\$ 253,513	\$ 1,446,960	\$ 100	\$ (443,905)
	-	44,729	710,105	4,262	413,345	440,464	-	833,052	-
	343,970	190,659	725,242	201,809	809,032	756,496	1,309,337	18,000	(5,000)
	1,939	6,327	30,641	68,436	51,924	95,234	265,406	888	(1,269,898)
	457,272	520,323	1,722,739	372,272	1,753,910	1,545,707	3,021,703	852,040	(1,718,803)
	243,653	276,045	788,144	186,856	584,874	711,071	749,868	280,309	3,181,415
	56,873	90,006	150,629	42,128	122,015	124,366	214,316	81,227	742,730
	18,439	20,413	59,483	14,138	43,516	53,127	52,094	15,959	239,949
	46,620	16,338	115,133	17,907	121,590	53,241	54,599	53,571	365,242
	4,730	4,966	23,276	2,430	16,383	17,120	16,634	10,618	40,695
	6,996	9,605	24,871	4,177	24,971	13,669	16,040	439	61,293
	7,369	10,021	16,401	6,010	21,917	18,663	85,954	7,815	113,120
	46,482	51,562	118,977	28,675	101,878	71,402	43,831	2,721	238,873
	6,383	5,942	16,536	4,129	16,985	18,209	58,384	48,764	183,325
	14,665	16,774	40,835	7,646	60,079	58,460	191,520	21,768	254,886
	46,609	23,102	160,595	24,948	72,456	71,929	12,867	48,083	270,759
	34,656	19,280	69,114	4,150	263,598	17,201	30,175	556	75
	-	-	-	-	-	-	702,389	-	-
	34,450	41,820	82,719	37,326	144,770	37,425	381,953	222,513	896,488
	185	-	5,551	156	204	3,438	46,598	541	334,492
	78,181	80,661	242,168	54,467	188,123	176,142	321,841	96,911	(6,240,201)
	646,291	666,535	1,914,432	435,143	1,783,359	1,445,463	2,979,063	891,795	683,141
\$	(189,019)	\$ (146,212)	\$ (191,693)	\$ (62,871)	\$ (29,449)	\$ 100,244	\$ 42,640	\$ (39,755)	\$ (2,401,944)

*See accompanying independent auditors' report on supplemental material.*