BETHANY®
CHRISTIAN SERVICES

# Consolidated Financial Statements
(and supplemental material)
Year Ended December 31, 2009

# BETHANY CHRISTIAN SERVICES
**(A NOT-FOR-PROFIT CORPORATION)**

Consolidated Financial Statements
(and supplemental material)
Year Ended December 31, 2009

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# 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 (a not-for-profit corporation) and subsidiaries (the Organization) as of December 31, 2009, 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 2008 consolidated financial statements and, in our report dated March 23, 2009, 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, 2009, 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, 2010 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, 2010

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# CONSOLIDATED FINANCIAL STATEMENTS

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Financial Position

| *December 31,* | | Current Operating | | Temporarily Restricted |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ | 6,841,104 | $ | - |
| Investments (Note 3) | | 20,435,562 | | 391,566 |
| Accounts receivable, net of allowance for doubtful accounts of $332,700 and $153,100 for 2009 and 2008, respectively | | 7,098,625 | | - |
| Campaign pledges receivable | | 1,845 | | 19,324 |
| Prepaid expenses | | 346,927 | | - |
| Total current assets | | 34,724,063 | | 410,890 |
| Property and equipment | | | | |
| Land and land improvements | | 2,134,322 | | - |
| Buildings and improvements | | 14,214,539 | | - |
| Furniture and equipment | | 4,646,164 | | - |
| Vehicles | | 183,184 | | - |
| Construction in progress (estimated cost to complete $89,000) | | 276,840 | | - |
| | | 21,455,049 | | - |
| Less accumulated depreciation | | 8,926,759 | | - |
| Net property and equipment | | 12,528,290 | | - |
| Other assets | | | | |
| Campaign pledges receivable, less current portion | | - | | - |
| Investment in unconsolidated affiliate (Note 10) | | 703,253 | | - |
| Deposits | | 89,850 | | - |
| Total other assets | | 793,103 | | - |
| **Total Assets** | $ | 48,045,456 | $ | 410,890 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Financial Position

| Permanently Restricted | Totals 2009 | Totals 2008 |
|---|---|---|
| $ - | **$ 6,841,104** | $ 5,075,580 |
| 241,384 | **21,068,512** | 16,933,633 |
| - | **7,098,625** | 7,234,443 |
| - | **21,169** | 34,299 |
| - | **346,927** | 401,400 |
| 241,384 | **35,376,337** | 29,679,355 |
| - | **2,134,322** | 2,111,058 |
| - | **14,214,539** | 14,187,448 |
| - | **4,646,164** | 4,661,761 |
| - | **183,184** | 167,471 |
| - | **276,840** | 267,797 |
| - | **21,455,049** | 21,395,535 |
| - | **8,926,759** | 8,458,069 |
| - | **12,528,290** | 12,937,466 |
| - | **-** | 815 |
| - | **703,253** | 723,687 |
| - | **89,850** | 103,502 |
| - | **793,103** | 828,004 |
| $ 241,384 | **$ 48,697,730** | $ 43,444,825 |

*See accompanying notes to consolidated financial statements.*

## Consolidated Statements of Financial Position

| *December 31,* | Current Operating | Temporarily Restricted |
|---|---|---|
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ 2,122,441 | $ - |
| Employee compensation and benefits | 4,807,698 | - |
| Deferred adoption fees | 2,999,375 | - |
| Line of credit (Note 4) | - | - |
| Current maturities of long-term notes payable (Note 6) | 73,859 | - |
| Total current liabilities | 10,003,373 | - |
| Long-term liabilities: | | |
| Long-term notes payable, less current maturities (Note 6) | 102,196 | - |
| Annuities payable (Note 5) | 392,150 | - |
| Liability for pension benefits (Note 7) | 5,655,423 | - |
| Total long-term liabilities | 6,149,769 | - |
| **Total Liabilities** | 16,153,142 | - |
| **Commitments and Contingencies** (Notes 7, 8, 9 and 10) | | |
| **Net Assets** | | |
| Unrestricted: | | |
| Undesignated | 19,320,031 | - |
| Board-designated (Note 12) | 12,568,596 | - |
| Gifts for Bethany | 3,687 | - |
| Temporarily restricted (Note 12) | - | 410,890 |
| Permanently restricted (Note 12) | - | - |
| **Total Net Assets** | 31,892,314 | 410,890 |
| **Total Liabilities and Net Assets** | $ 48,045,456 | $ 410,890 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Financial Position

| Permanently Restricted | Totals 2009 | Totals 2008 |
|---|---|---|
| $ - | $ 2,122,441 | $ 1,791,100 |
| - | 4,807,698 | 4,352,471 |
| - | 2,999,375 | 2,866,200 |
| - | - | 1,529,500 |
| - | 73,859 | 68,500 |
| - | 10,003,373 | 10,607,771 |
| - | 102,196 | 176,205 |
| - | 392,150 | 397,850 |
| - | 5,655,423 | 7,857,292 |
| - | 6,149,769 | 8,431,347 |
| - | 16,153,142 | 19,039,118 |
| - | 19,320,031 | 9,595,656 |
| - | 12,568,596 | 14,262,698 |
| - | 3,687 | 3,698 |
| - | 410,890 | 412,696 |
| 241,384 | 241,384 | 130,959 |
| 241,384 | 32,544,588 | 24,405,707 |
| $ 241,384 | $ 48,697,730 | $ 43,444,825 |

*See accompanying notes to consolidated financial statements.*

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Activities

| *Year ended December 31,* | Current Operating | Temporarily Restricted |
|---|---|---|
| **Operating Revenues and Other Support** | | |
| Contributions: | | |
| Individual | $ 3,946,250 | $ 8,656 |
| Churches and affiliated organizations | 1,344,808 | 13,050 |
| Business and foundations | 3,899,256 | - |
| Other | 1,254,688 | - |
| Child support | 37,170,542 | - |
| Service fees | 19,394,753 | - |
| Investment income (loss) | 4,687,507 | 77,539 |
| Miscellaneous income | 641,003 | - |
| **Total Operating Revenues and Other Support** | 72,338,807 | 99,245 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Activities

| | Totals | |
|---|---|---|
| Permanently Restricted | **2009** | 2008 |
| $ 8,300 | **$ 3,963,206** | $ 4,732,991 |
| - | **1,357,858** | 1,491,792 |
| - | **3,899,256** | 4,048,527 |
| - | **1,254,688** | 1,115,379 |
| - | **37,170,542** | 33,023,047 |
| - | **19,394,753** | 16,970,373 |
| 16,485 | **4,781,531** | (5,800,378) |
| - | **641,003** | 715,481 |
| 24,785 | **72,462,837** | 56,297,212 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Activities

| *Year ended December 31,* | Current Operating | Temporarily Restricted |
|---|---|---|
| **Operating Expenses** | | |
| Program services: | | |
| Michigan: | | |
| Residential: | | |
| Social services | $ 414,931 | $ - |
| Maintenance | 1,180,958 | - |
| Foster care: | | |
| Social services | 4,254,626 | - |
| Maintenance | 3,250,123 | - |
| State adoptions | 1,709,361 | - |
| Refugee | 2,598,343 | - |
| Other programs | 11,242,677 | - |
| Adoptions, foster care and other programs outside of Michigan | 32,321,629 | - |
| Foster care: | | |
| Illinois | - | - |
| Philadelphia | 1,555,534 | - |
| Total program services | 58,528,182 | - |
| Management and general | 5,496,818 | - |
| Fundraising | 2,558,826 | - |
| **Total Operating Expenses** | 66,583,826 | - |
| Pension liability adjustment | (2,259,870) | - |
| **Total Operating Expenses and Pension Cost** | 64,323,956 | - |
| **Change in Net Assets From Operating Activities** | 8,014,851 | 99,245 |
| **Nonoperating Expenses** | | |
| Implementation of new pronouncement (Note 12) | (419,667) | 334,027 |
| Net assets released from restrictions | 435,078 | (435,078) |
| **Changes in Net Assets** | $ 8,030,262 | $ (1,806) |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Activities

| Permanently Restricted | Totals 2009 | Totals 2008 |
|---|---|---|
| $ - | $ 414,931 | $ 409,491 |
| - | 1,180,958 | 1,165,479 |
| - | 4,254,626 | 2,932,583 |
| - | 3,250,123 | 2,851,561 |
| - | 1,709,361 | 1,392,991 |
| - | 2,598,343 | 1,980,732 |
| - | 11,242,677 | 10,244,123 |
| - | 32,321,629 | 32,733,819 |
| - | - | 377,914 |
| - | 1,555,534 | 1,625,400 |
| - | 58,528,182 | 55,714,093 |
| - | 5,496,818 | 4,740,452 |
| - | 2,558,826 | 2,437,319 |
| - | 66,583,826 | 62,891,864 |
| - | (2,259,870) | 5,197,448 |
| - | 64,323,956 | 68,089,312 |
| 24,785 | 8,138,881 | (11,792,100) |
| 85,640 | - | - |
| - | - | - |
| $ 110,425 | $ 8,138,881 | $ (11,792,100) |

*See accompanying notes to consolidated financial statements.*

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Functional Expenses

| | Michigan | | | | |
|---|---|---|---|---|---|
| | Residential | | Foster Care | | |
| *Year ended December 31, 2009* | Social Services | Maintenance | Social Services | Maintenance | Older Child Adoptions |
| **Operating Expenses** | | | | | |
| Salaries | $ 244,246 | $ 695,163 | $ 2,603,141 | $ - | $ 1,021,832 |
| Employee benefits | 69,842 | 198,780 | 642,423 | - | 276,702 |
| Payroll taxes | 18,695 | 53,209 | 184,824 | - | 72,925 |
| Professional fees | 2,008 | 5,716 | 46,534 | - | 10,328 |
| Supplies | 5,586 | 15,897 | 47,077 | - | 25,022 |
| Telephone | 1,435 | 4,085 | 28,654 | - | 12,249 |
| Postage and shipping | 201 | 571 | 15,096 | - | 8,862 |
| Occupancy | 15,851 | 45,113 | 189,666 | - | 108,753 |
| Outside printing | 63 | 180 | 9,570 | - | 4,952 |
| Travel and transportation | 5,853 | 16,657 | 295,388 | - | 91,169 |
| Advertising | 36 | 103 | 21,976 | - | 31,250 |
| Special assistance | 24,457 | 69,607 | - | 3,250,123 | 4,582 |
| Overseas contributions | - | - | - | - | - |
| Miscellaneous | 9,201 | 26,193 | 122,872 | - | 31,744 |
| Depreciation | 17,457 | 49,684 | 47,405 | - | 8,991 |
| **Total Operating Expenses** | $ 414,931 | $ 1,180,958 | $ 4,254,626 | $ 3,250,123 | $ 1,709,361 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Functional Expenses

| Refugee | Other Programs | Adoptions, Foster Care and Other Programs Outside of Michigan | Foster Care Philadelphia | Management and General | Fundraising | Total |
|---|---|---|---|---|---|---|
| $ 559,946 | $ 5,744,499 | $ 15,275,950 | $ 538,561 | $ 2,381,042 | $ 742,825 | $ 29,807,205 |
| 171,854 | 1,571,651 | 3,817,693 | 150,901 | 581,858 | 180,258 | 7,661,962 |
| 42,747 | 412,102 | 1,124,039 | 42,467 | 182,365 | 61,018 | 2,194,391 |
| 62,807 | 368,795 | 1,385,197 | 7,262 | 276,181 | 144,640 | 2,309,468 |
| 6,434 | 117,916 | 291,255 | 8,248 | 21,689 | 16,288 | 555,412 |
| 7,589 | 80,091 | 546,805 | 10,288 | 32,745 | 11,649 | 735,590 |
| 5,190 | 41,078 | 421,259 | 4,047 | 32,572 | 77,092 | 605,968 |
| 58,396 | 475,637 | 2,278,914 | 48,312 | 152,407 | 47,168 | 3,420,217 |
| 2,472 | 66,772 | 446,629 | 2,249 | 40,451 | 181,932 | 755,270 |
| 48,642 | 404,146 | 1,240,856 | 29,773 | 116,670 | 40,112 | 2,289,266 |
| 13,560 | 222,642 | 1,047,041 | 5,337 | 49,327 | 12,510 | 1,403,782 |
| 1,591,079 | 945,109 | 3,111,021 | 602,892 | 3,374 | 10 | 9,602,254 |
| - | - | 545,923 | - | - | - | 545,923 |
| 25,497 | 690,680 | 556,823 | 88,091 | 1,391,905 | 1,021,215 | 3,964,221 |
| 2,130 | 101,559 | 232,224 | 17,106 | 234,232 | 22,109 | 732,897 |
| $ 2,598,343 | $ 11,242,677 | $ 32,321,629 | $ 1,555,534 | $ 5,496,818 | $ 2,558,826 | $ 66,583,826 |

*See accompanying notes to consolidated financial statements.*

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Functional Expenses

| | Michigan | | | | |
|---|---|---|---|---|---|
| | Residential | | Foster Care | | |
| *Year ended December 31, 2008* | Social Services | Maintenance | Social Services | Maintenance | Older Child Adoptions |
| **Operating Expenses** | | | | | |
| Salaries | $ 243,933 | $ 694,269 | $ 1,771,267 | $ - | $ 849,621 |
| Employee benefits | 64,926 | 184,791 | 377,236 | - | 217,221 |
| Payroll taxes | 18,432 | 52,461 | 128,824 | - | 55,813 |
| Professional fees | 1,695 | 4,823 | 26,989 | - | 18,173 |
| Supplies | 6,991 | 19,899 | 33,345 | - | 18,109 |
| Telephone | 1,720 | 4,897 | 21,731 | - | 8,547 |
| Postage and shipping | 246 | 699 | 13,080 | - | 6,384 |
| Occupancy | 18,899 | 53,791 | 149,728 | - | 79,066 |
| Outside printing | 109 | 310 | 9,725 | - | 6,668 |
| Travel and transportation | 5,840 | 16,623 | 207,098 | - | 62,592 |
| Advertising | 875 | 2,490 | 41,835 | - | 23,808 |
| Special assistance | 22,978 | 65,400 | - | 2,851,561 | 4,093 |
| Overseas contributions | - | - | - | - | - |
| Miscellaneous | 4,404 | 12,533 | 110,919 | - | 33,340 |
| Depreciation | 18,443 | 52,493 | 40,806 | - | 9,556 |
| **Total Operating Expenses** | $ 409,491 | $ 1,165,479 | $ 2,932,583 | $ 2,851,561 | $ 1,392,991 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Functional Expenses

| Refugee | Other Programs | Adoptions, Foster Care and Other Programs Outside of Michigan | Foster Care Illinois | Foster Care Philadelphia | Management and General | Fundraising | Total |
|---|---|---|---|---|---|---|---|
| $ 446,765 | $ 5,466,623 | $ 14,834,045 | $ 118,247 | $ 583,296 | $ 2,311,947 | $ 664,867 | $ 27,984,880 |
| 115,188 | 1,186,895 | 3,358,735 | 37,224 | 146,836 | 488,633 | 146,246 | 6,323,931 |
| 32,267 | 401,903 | 1,108,115 | 9,213 | 48,443 | 166,740 | 55,776 | 2,077,987 |
| 48,285 | 330,311 | 1,279,308 | 72,379 | 11,335 | 360,098 | 150,979 | 2,304,375 |
| 4,271 | 125,101 | 304,354 | 2,092 | 9,137 | 17,726 | 16,229 | 557,254 |
| 3,849 | 80,895 | 513,226 | 3,845 | 11,842 | 43,074 | 12,208 | 705,834 |
| 4,850 | 40,170 | 440,574 | 2,009 | 5,007 | 51,105 | 82,465 | 646,589 |
| 22,812 | 430,502 | 2,154,786 | 9,757 | 99,165 | 152,637 | 55,816 | 3,226,959 |
| 2,925 | 84,382 | 437,984 | 53 | 3,403 | 39,761 | 187,645 | 772,965 |
| 58,916 | 432,730 | 1,403,873 | 5,435 | 28,445 | 149,754 | 50,301 | 2,421,607 |
| 20,753 | 217,935 | 1,107,788 | - | 13,622 | 20,533 | 3,108 | 1,452,747 |
| 1,187,836 | 786,431 | 2,986,703 | 93,687 | 595,615 | 5,900 | 1,025 | 8,601,229 |
| - | - | 852,843 | - | - | - | - | 852,843 |
| 30,047 | 557,334 | 1,714,751 | 20,578 | 65,862 | 667,680 | 991,597 | 4,209,045 |
| 1,968 | 102,911 | 236,734 | 3,395 | 3,392 | 264,864 | 19,057 | 753,619 |
| $ 1,980,732 | $ 10,244,123 | $ 32,733,819 | $ 377,914 | $ 1,625,400 | $ 4,740,452 | $ 2,437,319 | $ 62,891,864 |

*See accompanying notes to consolidated financial statements.*

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# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Changes in Net Assets

| | Current Operating | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Balance,** January 1, 2008 | $ 34,705,985 | $ 1,367,238 | $ 124,584 | $ 36,197,807 |
| **Changes in Net Assets** | | | | |
| Unrestricted | (10,843,933) | - | - | (10,843,933) |
| Temporarily restricted | - | (954,542) | - | (954,542) |
| Permanently restricted | - | - | 6,375 | 6,375 |
| Total changes in net assets | (10,843,933) | (954,542) | 6,375 | (11,792,100) |
| **Balance,** December 31, 2008 | 23,862,052 | 412,696 | 130,959 | 24,405,707 |
| **Changes in Net Assets** | | | | |
| Unrestricted | 8,030,262 | - | - | 8,030,262 |
| Temporarily restricted | - | (1,806) | - | (1,806) |
| Permanently restricted | - | - | 110,425 | 110,425 |
| Total changes in net assets | 8,030,262 | (1,806) | 110,425 | 8,138,881 |
| **Balance,** December 31, 2009 | $ 31,892,314 | $ 410,890 | $ 241,384 | $ 32,544,588 |

*See accompanying notes to consolidated financial statements.*

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Cash Flows

| *Year ended December 31,* | | **2009** | | 2008 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Changes in net assets | **$** | **8,138,881** | $ | (11,792,100) |
| Adjustments to reconcile changes in net assets to net cash from operating activities: | | | | |
| Depreciation | | **732,897** | | 753,619 |
| Loss (gain) on investments | | **(3,575,776)** | | 7,257,309 |
| Pension liability adjustment | | **(2,259,870)** | | 5,197,448 |
| Loss on disposal of equipment | | **32,515** | | 532,806 |
| Earnings in unconsolidated investment | | **(40,366)** | | (38,690) |
| Net present value adjustment of annuities payable | | **(5,702)** | | (35,265) |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | | **135,818** | | (477,906) |
| Prepaid expense | | **54,473** | | (66,142) |
| Deposits | | **13,652** | | (12,120) |
| Accounts payable and accrued expenses | | **337,043** | | (323,268) |
| Employee compensation and benefits | | **513,228** | | 218,361 |
| Deferred adoption fees | | **133,175** | | (144,778) |
| **Net Cash From Operating Activities** | | **4,209,968** | | 1,069,274 |
| **Investing Activities** | | | | |
| Additions to property and equipment | | **(356,236)** | | (1,910,367) |
| Purchase of investments | | **(5,543,448)** | | (10,984,340) |
| Proceeds from sale of investments | | **4,984,345** | | 12,292,407 |
| Distributions from unconsolidated affiliate | | **60,800** | | 69,200 |
| **Net Cash for Investing Activities** | | **(854,539)** | | (533,100) |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidated Statements of Cash Flows

| *Year ended December 31,* | | **2009** | | 2008 |
|---|---|---|---|---|
| **Financing Activities** | | | | |
| Decrease in campaign pledges receivable | **$** | **13,945** | $ | 242,680 |
| Decrease in annuities payable | | **(5,700)** | | (38,781) |
| Payments on advance on margin line | | **-** | | (2,106,698) |
| Proceeds from (payments on) line of credit | | **(1,529,500)** | | 1,529,500 |
| Principal payments on long-term debt | | **(68,650)** | | (403,713) |
| **Net Cash for Financing Activities** | | **(1,589,905)** | | (777,012) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | | **1,765,524** | | (240,838) |
| **Cash and Cash Equivalents,** beginning of year | | **5,075,580** | | 5,316,418 |
| **Cash and Cash Equivalents,** end of year | **$** | **6,841,104** | $ | 5,075,580 |
| **Supplemental Disclosure of Cash Flow Information** | | | | |
| Cash paid during the year for interest | **$** | **22,552** | $ | 95,534 |

*See accompanying notes to consolidated financial statements.*

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## 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. 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 32 home offices in 31 states. Approximately 51% and 59% of operating revenue in 2009 and 2008, 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 interorganization accounts and transactions have been eliminated in consolidation.

*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, 2009, 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.

*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.

*Investments*

Investments consist of marketable securities and mutual funds and are carried at fair value based on quoted market prices if available and, if not available, other fair value inputs. See Note 11 for further discussion of fair value measurements.

*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 there are no deposits in excess of federally insured limits.

*Advertising*

Advertising costs are expensed as incurred. Advertising expenses amounted to $1,403,724 and $1,452,747 in 2009 and 2008, respectively.

*Reclassifications*

Certain amounts have been reclassified in 2008 to conform to the 2009 presentation. The reclassification had no effect on total net assets.

*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 |

*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 infant and intercountry 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 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 infant and intercountry 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, 2009 and 2008, contributed services and materials were approximately $367,000 and $351,000, respectively.

*Income Taxes*

As discussed in Note 1, the Organization is exempt from income taxes under Section 501(a) of the IRC. In 2009, the Organization implemented Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 - *Income Taxes*. The implementation of this standard did not impact the financial statements for the year ended December 31, 2009.

*Subsequent Events*

Management has evaluated subsequent events through March 19, 2010, the date the financial statements were available to be issued. Based on evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

## 3. INVESTMENTS

Investments as of the statements of financial position date are summarized as follows:

| *December 31,* | **2009** | 2008 |
|---|---|---|
| Stocks and stock funds | **$ 8,628,210** | $ 11,336,366 |
| Bonds and notes | **7,707,066** | 2,677,488 |
| Mutual funds | **4,733,236** | 2,919,779 |
| | **$21,068,512** | $ 16,933,633 |

Investment income consists of the following:

| *December 31,* | **2009** | 2008 |
|---|---|---|
| Interest and dividends | **$ 1,205,755** | $ 1,456,931 |
| Realized and unrealized gains (losses) | **3,575,776** | (7,257,309) |
| | **$ 4,781,531** | $ (5,800,378) |

## 4. LINE OF CREDIT

The Organization has a line of credit agreement which permits borrowings up to $2,000,000 and bears interest at prime less 0.25%, with a floor of 4.00%. Amounts outstanding under this line of credit totaled $1,529,500 at December 31, 2008. There were no borrowings outstanding under this line of credit at December 31, 2009.

## 5. 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 2009 and 2008. Approximately $9,000 of adjustments were made to investment income in the statements of activities for the year ended December 31, 2008. No such adjustments were made in 2009.

## 6. NOTES PAYABLE

Long-term debt consists of an $88,208 mortgage with monthly principal and interest payments of $4,004 until December 31, 2011. Interest accrues at 8.35%.

Long-term debt also consists of an $87,847 mortgage with monthly principal and interest payments of $3,000 until December 31, 2011. Interest accrues at 6.00%.

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

| *Year ending December 31,* | |
|---|---|
| 2010 | $ 73,859 |
| 2011 | 79,475 |
| 2012 | 22,721 |
| | $ 176,055 |

## 7. 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 mutual funds for institutional investors. The Plan was frozen effective December 31, 2009. Employees will no longer accumulate benefits after that date.

The benefit obligations of the Plan exceed the value of the Plan assets at December 31, 2009 and 2008. This difference represents the “Funded Status” of the Plan. The amount that the Plan is under-funded decreased from December 31, 2008 to December 31, 2009. This is primarily due to an increase in the fair market value of the Plan assets. The discount rate used in determining the benefit obligation also decreased slightly in 2009, resulting in an increase in the benefit obligations as determined by the Organization’s actuary. In addition, Bethany Christian Services increased the contribution to the Plan in 2009.

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.

On the statements of activities, the pension liability adjustment is shown below operating expenses due to the unusual changes in the market.

Financial information regarding the Plan is as follows:

| *December 31,* | **2009** | 2008 |
|---|---|---|
| **Obligation and Funded Status** | | |
| Benefit obligation | **$ (21,573,145)** | $ (19,216,734) |
| Plan assets at fair value | **14,990,618** | 10,680,467 |
| **Under-Funded Status** | **$ (6,582,527)** | $ (8,536,267) |

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

| *December 31,* | **2009** | 2008 |
|---|---|---|
| Unrecognized prior service cost | **$ -** | $ 27,130 |
| Unrecognized net loss | **6,305,421** | 8,538,161 |
| Accrued (prepaid) pension cost | **277,106** | (29,024) |
| **Under-Funded Status** | **$ 6,582,527** | $ 8,536,267 |

The following table shows the components of pension liability adjustment for the current and prior fiscal years:

| *Year ended December 31,* | **2009** | 2008 |
|---|---|---|
| **Pension Liability Adjustment** | | |
| Service cost | **$ 1,155,000** | $ 1,146,616 |
| Interest cost | **1,273,000** | 1,167,983 |
| Expected return on assets | **(826,000)** | (1,193,350) |
| Amortization of prior service cost | **27,130** | 81,400 |
| Amortization of loss | **827,000** | 195,297 |
| **Pension Liability Adjustment** | **$ 2,456,130** | $ 1,397,946 |

The accumulated benefit obligation was $21,573,145 and $17,301,165 at the measurement dates of December 31, 2009 and 2008, respectively.

| *Year ended December 31,* | **2009** | 2008 |
|---|---|---|
| **Additional Information** | | |
| Employer contributions | **$ 2,150,000** | $ 1,880,000 |
| Benefits paid | **579,991** | 535,455 |
| Benefit cost | **2,456,130** | 1,397,946 |
| Prepaid (accrued) pension cost (included in current assets/liabilities) | **(227,106)** | 29,024 |

| | **2009** | 2008 |
|---|---|---|
| **Assumptions** | | |
| Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31: | | |
| Discount rate | **6.75%** | 6.50% |
| Expected return on Plan assets | **8.00** | 8.00 |
| Rate of compensation increase | **3.50** | 3.50 |
| Weighted-average assumptions used to determine benefit obligation at December 31: | | |
| Discount rate | **6.00** | 6.75 |
| Rate of compensation increase | **N/A** | 3.50 |

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.

*Plan Assets*

The Plan's assets are as follows:

| *December 31,* | **2009** | 2008 |
|---|---|---|
| Equity mutual funds | **$ 9,220,357** | $ 5,988,495 |
| Bond Mutual funds | **4,719,163** | 3,327,106 |
| Money market fund | **279,495** | 238,991 |
| Real estate | **771,603** | 528,592 |
| Hedge fund | **-** | 597,283 |
| **Total** | **$ 14,990,618** | $10,680,467 |

*Inputs and Valuation Techniques Used to Measure Fair Value of Plan Assets*

Effective January 1, 2008, the Plan implemented FASB ASC Topic 820, *Fair Value Measurements and Disclosures* relating to its financial assets and liabilities. In 2009, the Plan applied this standard to nonfinancial assets and liabilities. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

*Level 1* - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date.

*Level 2* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be derived from or corroborated by observable market data by correlation or other means.

*Level 3* - Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the valuation methodologies used to measure and disclose the fair values of financial and nonfinancial assets and liabilities on a recurring or nonrecurring basis:

*Investments.* Investments are recorded at fair value on a recurring basis. As of December 31, 2009, all the investments are held in pooled separate accounts with oversight by The Principal Group. Many of the funds are sub-advised by outside investment managers. The majority of the underlying investments are held in instruments where the fair value is a publicly quoted pricing input (Level 1). These values determine the NAV of the pooled separated accounts, which are not publicly traded. The remaining underlying securities have observable Level 1 or 2 pricing inputs, including quoted prices for similar assets in active or non-active markets. Most of the security prices for these were obtained from a pricing service, Interactive Data Corporation (IDC). When investments in foreign markets move outside a set of thresholds in a day, instead of accepting the exchange quote from IDC, Principal uses prices determined by the Fair Market Value mode, a multi-factor regression model. This model is used to adjust closing prices on foreign markets for activity between the closing of the foreign and U.S. markets.

As of December 31, 2008, the Plan held investment in a "Fund of Funds" instrument which utilized various alternative investment strategies. Though the underlying investments did not have a publicly quoted pricing input (Level 1), the value of the investments were verified by an independent audit. As such, the inputs were observable and were derived from or corroborated by observable market data (Level 2).

*Assets Measured at Fair Value on a Recurring Basis*

The balances of assets measured at fair value on a recurring basis as of December 31, 2009 are as follows:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Pooled Separate Accounts** | $ 14,990,618 | $ - | $ 14,990,618 | $ - |

The balances of assets measured at fair value on a recurring basis as of December 31, 2008 are as follows:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Pooled Separate Accounts and Fund of Funds** | $ 10,680,467 | $ - | $ 10,680,467 | $ - |

Fair value measurements were not affected by significant unobservable (Level 3) inputs.

*Significant Concentrations of Risk*

The assets of the Plan are invested to avoid significant concentrations of risk. First, this is done through the use of pooled separate accounts. Each pooled separate account is invested in a wide range of investments within its specific style. Second, the assets are invested in a variety of separate pooled investments to avoid concentration in any one investment strategy.

*Investment Policy and Allocations*

The investment policy for the Plan is determined by the Organization's Pension and Children's Fund Investment Committee. The Committee hires and oversees the Investment Advisor, who is given the responsibility to invest the assets in accordance with the policy.

In general, the Committee favors an investment policy designed to enhance the long-term funding of the Plan through capital appreciation and growth of income. At the same time, the Committee recognizes that the long-term growth objective must be balanced with concern about excessive variability of the asset values which, in turn, could diminish the long-range purpose of the Retirement Plan's existence. The investment policy, therefore, must be designed to produce a reasonable long-term rate of return while avoiding extremely volatile results.

Target asset allocation percentages are as follows:

| | Percent |
|---|---|
| Other investments | 0 - 10 |
| Fixed income | 30 - 55 |
| Equities | 35 - 65 |

*Cash Flows*

The Organization expects to contribute approximately $1,200,000 to the Plan in 2010. The following benefit payments, which include expected future service, as appropriate, are expected to be paid as follows:

| *Year ending December 31,* | |
|---|---|
| 2010 | $ 650,000 |
| 2011 | 790,000 |
| 2012 | 880,000 |
| 2013 | 960,000 |
| 2014 | 1,130,000 |
| 2015 - 2019 | 7,000,000 |

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 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 $0.20 to $0.40 per $1.00 contributed, prorated based on years of service. Matching contributions do not exceed 2.4% of an employee's income. The discretionary contributions to the plan were suspended effective February 1, 2009. Discretionary contributions to the plan for the years ended December 31, 2009 and 2008 were $14,113 and $161,990, respectively.

The Organization amended the deferred compensation plan qualified under Section 403(b) of the IRC effective January 1, 2010. Under the amended plan, the Organization will match employee contributions in an amount equal to 100% of elective deferral contributions according to the following schedule:

| Years of Service | Limit on Contributions Matched |
|---|---|
| Less than 2 | No Matching Contribution |
| 2 - 4 | 4% |
| 5 - 9 | 6% |
| 10 or more | 8% |

In addition, the Organization will contribute 2% of salary for each participant employed at the end of the year with at least two years of service and who has worked at least 1,000 hours during the year.

## 8. LEASE COMMITMENTS

The Organization leases office space and automobiles under non-cancelable operating leases. Minimum rental commitments as of December 31, 2009 for these leases are as follows:

| *Year ending December 31,* | |
|---|---|
| 2010 | $ 1,796,673 |
| 2011 | 1,373,632 |
| 2012 | 1,100,727 |
| 2013 | 631,218 |
| 2014 | 334,314 |
| | $ 5,236,564 |

Total rent expense was $2,038,689 and $1,990,720 for 2009 and 2008, respectively.

## 9. 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 continuing loan guarantees in 2002 and 2006 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 when due. The maximum potential amount of unrecorded guarantees is $563,967 and $936,196 at December 31, 2009 and 2008, respectively. Although management does not anticipate incurring material losses on these guarantees, an accumulated provision for possible losses of $40,000 is recorded at December 31, 2009 and 2008.

## 10. 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 $40,366 and $38,690 and a distribution of $60,800 and $69,200 for the years ended December 31, 2009 and 2008, respectively.

## 11. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Organization implemented FASB ASC Topic 820, *Fair Value Measurements and Disclosures,* relating to its financial assets and liabilities. In 2009, the Organization applied this standard to nonfinancial assets and liabilities. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

*Level 1* - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date.

*Level 2* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be derived from or corroborated by observable market data by correlation or other means.

*Level 3* - Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the valuation methodologies used to measure and disclose the fair values of financial and nonfinancial assets and liabilities on a recurring or nonrecurring basis:

*Investments.* Investments are recorded at fair value on a recurring basis. Fair value measurement is based on quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models. Level 1 securities include equities and mutual funds. Level 2 securities include U.S. government and agency securities and corporate bonds. The Organization has no Level 3 securities.

*Assets Measured at Fair Value on a Recurring Basis*

The balances of assets measured at fair value on a recurring basis as of December 31, 2009 are as follows:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Other Deposits and Investments** | $ 21,068,512 | $ 19,694,098 | $ 1,374,414 | $ - |

The balances of assets measured at fair value on a recurring basis as of December 31, 2008 are as follows:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Other Deposits and Investments** | $ 16,933,633 | $ 14,609,274 | $ 2,324,359 | $ - |

## 12. ENDOWMENT FUNDS

In August 2008, the FASB issued new guidance, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, now codified in ASC Topic 958, Subtopic 205, Section 45 (ASC 958-205-45). ASC 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205-45 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Michigan enacted UPMIFA effective September 12, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Organization has adopted ASC 958-205-45 for the year ended December 31, 2009. The Board of Directors has determined that the majority of the Organization's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

The Organization's endowments consist of 42 individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies*

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of up to 5.0%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8.0% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy*

The Organization has a policy of appropriating for distribution each year up to 5.0% of its board-designated endowment fund's previous eight quarters average balance, and distributing only the interest earnings of the donor-restricted endowment funds. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3.0% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2009 is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Net Endowment Assets |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 410,890 | $ 241,384 | $ 652,274 |
| Board-designated endowment funds | 12,568,596 | - | - | 12,568,596 |
| **Total Funds** | $ 12,568,596 | $ 410,890 | $ 241,384 | $ 13,220,870 |

Changes in endowment net assets for the year ended December 31, 2009 are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Net Endowment Assets |
|---|---|---|---|---|
| **Endowment Net Assets,** beginning of year | $ 14,262,698 | $ 412,696 | $ 130,959 | $ 14,806,353 |
| Contributions | 105,281 | 21,706 | 8,300 | 135,287 |
| Investment income | 1,801,014 | 77,539 | 16,485 | 1,895,038 |
| Net appreciation (depreciation) | (104,275) | - | - | (104,275) |
| Implementation of new pronouncement | (419,667) | 334,027 | 85,640 | - |
| Amounts appropriated for expenditure | (3,076,455) | (435,078) | - | (3,511,533) |
| **Endowment Net Assets,** end of year | $ 12,568,596 | $ 410,890 | $ 241,384 | $ 13,220,870 |

# SUPPLEMENTAL MATERIAL

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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, 2010

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# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Financial Position

| *December 31, 2009* | Total | Arkansas | California, Northern | California, Southern | Colorado |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | $ 6,841,104 | $ 2,900 | $ (172,019) | $ 3,434 | $ 13,620 |
| Investments | 21,068,512 | 465,918 | - | 335,434 | 438,705 |
| Accounts receivable, net | 7,098,625 | 9,250 | 121,003 | 197,310 | 155,963 |
| Campaign pledges receivable | 21,169 | - | 595 | - | - |
| Prepaid expenses | 346,927 | 1,595 | 2,249 | 6,619 | 4,637 |
| Due from other funds | 97,000 | - | - | - | - |
| Total current assets | 35,473,337 | 479,663 | (48,172) | 542,797 | 612,925 |
| Property and equipment | | | | | |
| Land and land improvements | 2,134,322 | - | 43,667 | - | - |
| Buildings and improvements | 14,214,539 | - | 2,060,321 | - | - |
| Furniture and equipment | 4,646,164 | - | 157,779 | - | 13,251 |
| Vehicles | 183,184 | - | 19,000 | - | - |
| Construction in progress | 276,840 | - | - | - | - |
| | 21,455,049 | - | 2,280,767 | - | 13,251 |
| Less accumulated depreciation | 8,926,759 | - | 422,074 | - | 3,681 |
| Net property and equipment | 12,528,290 | - | 1,858,693 | - | 9,570 |
| Other assets | | | | | |
| Investment in unconsolidated affiliate | 703,253 | - | - | - | - |
| Deposits | 89,850 | - | 2,000 | 5,371 | 1,600 |
| Total other assets | 793,103 | - | 2,000 | 5,371 | 1,600 |
| **Total Assets** | $ 48,794,730 | $ 479,663 | $ 1,812,521 | $ 548,168 | $ 624,095 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Financial Position

| Florida, Orlando | Florida, Gulf Coast | Georgia | Illinois | Indiana | Iowa, Northwest | Iowa, South Central |
|---|---|---|---|---|---|---|
| $ (54,952) | $ 2,000 | $ 120,380 | $ (415,600) | $ 15,009 | $ 14,735 | $ 9,865 |
| - | 30,576 | 2,026,518 | - | 471,046 | 217,545 | 910,510 |
| 20,486 | 6,608 | 694,361 | 29,580 | 404,287 | 91,303 | 84,927 |
| - | - | - | - | - | - | - |
| 1,500 | - | 19,787 | 1,000 | 9,384 | 3,000 | 2,337 |
| - | - | 97,000 | - | - | - | - |
| (32,966) | 39,184 | 2,958,046 | (385,020) | 899,726 | 326,583 | 1,007,639 |
| - | - | - | - | - | - | - |
| - | - | 93,950 | - | - | - | 19,356 |
| - | - | 49,037 | 35,368 | 11,308 | 11,605 | 13,682 |
| - | - | 53,980 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 196,967 | 35,368 | 11,308 | 11,605 | 33,038 |
| - | - | 90,140 | 23,542 | 7,696 | 7,156 | 13,190 |
| - | - | 106,827 | 11,826 | 3,612 | 4,449 | 19,848 |
| - | - | 703,253 | - | - | - | - |
| 290 | - | 1,147 | - | 13,943 | - | 1,281 |
| 290 | - | 704,400 | - | 13,943 | - | 1,281 |
| $ (32,676) | $ 39,184 | $ 3,769,273 | $ (373,194) | $ 917,281 | $ 331,032 | $ 1,028,768 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Financial Position

| *December 31, 2009* | Kansas | Maryland | Michigan | Minnesota | Mississippi |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | $ (148,995) | $ 1,820 | $ 1,139,428 | $ (119,019) | $ 7,860 |
| Investments | - | 296,503 | 7,744,646 | - | 970,247 |
| Accounts receivable, net | 29,750 | 47,154 | 3,765,223 | 69,690 | 2,836 |
| Campaign pledges receivable | - | - | - | - | - |
| Prepaid expenses | 12,685 | 4,162 | 36,467 | 4,254 | 2,538 |
| Due from other funds | - | - | - | - | - |
| Total current assets | (106,560) | 349,639 | 12,685,764 | (45,075) | 983,481 |
| Property and equipment | | | | | |
| Land and land improvements | - | - | 681,858 | - | - |
| Buildings and improvements | - | - | 5,351,050 | - | - |
| Furniture and equipment | - | - | 1,130,393 | 5,937 | 8,740 |
| Vehicles | - | - | 74,075 | - | - |
| Construction in progress | - | - | 219,551 | - | - |
| | - | - | 7,456,927 | 5,937 | 8,740 |
| Less accumulated depreciation | - | - | 4,339,286 | 2,144 | 3,620 |
| Net property and equipment | - | - | 3,117,641 | 3,793 | 5,120 |
| Other assets | | | | | |
| Investment in unconsolidated affiliate | - | - | - | - | - |
| Deposits | - | 2,898 | 13,292 | 434 | - |
| Total other assets | - | 2,898 | 13,292 | 434 | - |
| **Total Assets** | $ (106,560) | $ 352,537 | $ 15,816,697 | $ (40,848) | $ 988,601 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Financial Position

| Missouri | New England | New Jersey | North Carolina | Pennsylvania, Central | Pennsylvania, GDV | Pennsylvania, Western |
|---|---|---|---|---|---|---|
| $ 2,636 | $ (6,766) | $ 13,180 | $ 3,001 | $ 9,768 | $ (133,929) | $ (45,080) |
| 84,330 | - | 274,772 | 1,028,685 | 361,481 | - | - |
| 16,489 | 23,384 | 58,473 | 17,545 | 112,416 | 444,687 | 132,064 |
| - | - | 4,270 | - | - | 16,304 | - |
| 1,268 | 2,885 | 4,022 | 4,140 | 2,658 | 1,608 | 4,738 |
| - | - | - | - | - | - | - |
| 104,723 | 19,503 | 354,717 | 1,053,371 | 486,323 | 328,670 | 91,722 |
| - | - | 394,523 | - | - | 166,650 | - |
| - | - | 123,537 | 1,644 | - | 1,051,718 | - |
| 7,374 | - | 10,495 | 10,295 | 18,266 | 93,178 | 16,962 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 7,374 | - | 528,555 | 11,939 | 18,266 | 1,311,546 | 16,962 |
| 410 | - | 8,798 | 5,500 | 18,266 | 82,214 | 6,457 |
| 6,964 | - | 519,757 | 6,439 | - | 1,229,332 | 10,505 |
| - | - | - | - | - | - | - |
| 1,401 | 2,414 | 1,900 | 1,500 | 3,524 | 1,691 | 1,758 |
| 1,401 | 2,414 | 1,900 | 1,500 | 3,524 | 1,691 | 1,758 |
| $ 113,088 | $ 21,917 | $ 876,374 | $ 1,061,310 | $ 489,847 | $ 1,559,693 | $ 103,985 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Financial Position

| *December 31, 2009* | South Carolina | South Dakota, Eastern | South Dakota, Western | Tennessee, Chattanooga | Tennessee, Eastern |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | $ 2,251 | $ (958) | $ 293 | $ (53,813) | $ 1,499 |
| Investments | 142,087 | - | 162,630 | - | 165,319 |
| Accounts receivable, net | 41,994 | 10,696 | (56) | 11,235 | 5,700 |
| Campaign pledges receivable | - | - | - | - | - |
| Prepaid expenses | 4,358 | 1,150 | 1,546 | 2,106 | 2,950 |
| Due from other funds | - | - | - | - | - |
| Total current assets | 190,690 | 10,888 | 164,413 | (40,472) | 175,468 |
| 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 | - | - | 8,380 | - |
| Net property and equipment | - | - | - | 26,467 | - |
| Other assets | | | | | |
| Investment in unconsolidated affiliate | - | - | - | - | - |
| Deposits | 2,300 | - | 833 | 5,000 | 2,000 |
| Total other assets | 2,300 | - | 833 | 5,000 | 2,000 |
| **Total Assets** | $ 192,990 | $ 10,888 | $ 165,246 | $ (9,005) | $ 177,468 |

## 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 |
|---|---|---|---|---|---|---|---|---|
| $ (379,490) | $ (76,348) | $ (178,482) | $ 2,246 | $ (69,478) | $ 22,121 | $ (28,038) | $ (195,792) | $ 7,531,817 |
| - | - | - | 327,129 | - | 1,013,896 | 3,925,326 | - | (324,791) |
| 28,009 | 19,385 | 122,564 | 14,883 | 122,099 | 59,989 | 6,630 | 90,414 | 30,294 |
| - | - | - | - | - | - | - | - | - |
| 4,360 | 2,800 | 12,415 | 2,561 | 9,001 | 5,650 | 16,408 | - | 148,089 |
| - | - | - | - | - | - | - | - | - |
| (347,121) | (54,163) | (43,503) | 346,819 | 61,622 | 1,101,656 | 3,920,326 | (105,378) | 7,385,409 |
| - | - | - | - | - | - | 57,044 | - | 790,580 |
| - | - | - | 6,435 | - | - | 567,843 | - | 4,903,838 |
| 6,665 | 12,888 | 36,488 | - | 34,349 | 28,918 | 333,718 | 40,838 | 2,544,678 |
| - | - | - | - | - | - | - | - | 36,129 |
| - | - | - | - | - | - | - | - | 57,289 |
| 6,665 | 12,888 | 36,488 | 6,435 | 34,349 | 28,918 | 958,605 | 40,838 | 8,332,514 |
| 2,407 | 12,888 | 32,327 | 1,647 | 32,034 | 13,325 | 309,200 | 11,603 | 3,454,822 |
| 4,258 | - | 4,161 | 4,788 | 2,315 | 15,593 | 649,405 | 29,235 | 4,877,692 |
| - | - | - | - | - | - | - | - | - |
| 3,021 | 3,100 | 1,242 | 1,809 | 9,348 | 4,753 | - | - | - |
| 3,021 | 3,100 | 1,242 | 1,809 | 9,348 | 4,753 | - | - | - |
| $ (339,842) | $ (51,063) | $ (38,100) | $ 353,416 | $ 73,285 | $ 1,122,002 | $ 4,569,731 | $ (76,143) | $ 12,263,101 |

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

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Financial Position

| *December 31, 2009* | Total | Arkansas | California, Northern | California, Southern | Colorado |
|---|---|---|---|---|---|
| **Liabilities and Net Assets** | | | | | |
| **Liabilities** | | | | | |
| Accounts payable and accrued expenses | $ 2,122,441 | $ 18,505 | $ 91 | $ 4,184 | $ 41,363 |
| Employee compensation and benefits | 4,807,698 | 25,440 | 75,109 | 55,676 | 59,945 |
| Deferred adoption fees | 2,999,375 | 7,612 | 47,705 | 16,200 | 15,900 |
| Due to other funds | 97,000 | - | - | - | - |
| Current maturities of long-term notes payable | 73,859 | - | - | - | - |
| Total current liabilities | 10,100,373 | 51,557 | 122,905 | 76,060 | 117,208 |
| Long-term liabilities: | | | | | |
| Long-term notes payable, less current maturities | 102,196 | - | - | - | - |
| Annuities payable | 392,150 | - | - | - | - |
| Liabilities for pension benefits | 5,655,423 | 42,975 | 140,384 | 85,286 | 93,136 |
| Total long-term liabilities | 6,149,769 | 42,975 | 140,384 | 85,286 | 93,136 |
| **Total Liabilities** | 16,250,142 | 94,532 | 263,289 | 161,346 | 210,344 |
| **Net Assets,** beginning of year | 24,405,707 | 320,477 | 1,689,489 | 260,343 | 346,627 |
| Change in net assets | 8,138,881 | 64,654 | (140,257) | 126,479 | 67,124 |
| **Net Assets,** end of year | 32,544,588 | 385,131 | 1,549,232 | 386,822 | 413,751 |
| **Total Liabilities and Net Assets** | $ 48,794,730 | $ 479,663 | $ 1,812,521 | $ 548,168 | $ 624,095 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Financial Position

| Florida, Orlando | Florida, Gulf Coast | Georgia | Illinois | Indiana | Iowa, Northwest | Iowa, South Central |
|---|---|---|---|---|---|---|
| $ 3,308 | $ 18,617 | $ 109,525 | $ 3,130 | $ 25,712 | $ 28,360 | $ 28,603 |
| 26,303 | 6,654 | 237,977 | 45,907 | 163,987 | 56,837 | 57,862 |
| 5,300 | 1,967 | 64,842 | 14,500 | 48,175 | 11,150 | 40,800 |
| - | - | 97,000 | - | - | - | - |
| - | - | - | - | - | - | - |
| 34,911 | 27,238 | 509,344 | 63,537 | 237,874 | 96,347 | 127,265 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 26,797 | - | 387,392 | 122,814 | 195,451 | 78,011 | 59,302 |
| 26,797 | - | 387,392 | 122,814 | 195,451 | 78,011 | 59,302 |
| 61,708 | 27,238 | 896,736 | 186,351 | 433,325 | 174,358 | 186,567 |
| (169,530) | - | 2,404,781 | (421,267) | 403,447 | 153,703 | 678,812 |
| 75,146 | 11,946 | 467,756 | (138,278) | 80,509 | 2,971 | 163,389 |
| (94,384) | 11,946 | 2,872,537 | (559,545) | 483,956 | 156,674 | 842,201 |
| $ (32,676) | $ 39,184 | $ 3,769,273 | $ (373,194) | $ 917,281 | $ 331,032 | $ 1,028,768 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Financial Position

| *December 31, 2009* | Kansas | Maryland | Michigan | Minnesota | Mississippi |
|---|---|---|---|---|---|
| **Liabilities and Net Assets** | | | | | |
| **Liabilities** | | | | | |
| Accounts payable and accrued expenses | $ 6,519 | $ 2,294 | $ 492,064 | $ 1,756 | $ 5,073 |
| Employee compensation and benefits | 17,337 | 41,765 | 1,570,334 | 36,454 | 46,882 |
| Deferred adoption fees | 9,109 | 34,050 | 190,700 | 11,850 | 7,786 |
| Due to other funds | - | - | - | - | - |
| Current maturities of long-term notes payable | - | - | 42,270 | - | - |
| Total current liabilities | 32,965 | 78,109 | 2,295,368 | 50,060 | 59,741 |
| Long-term liabilities: | | | | | |
| Long-term notes payable, less current maturities | - | - | 45,938 | - | - |
| Annuities payable | - | - | - | - | - |
| Liabilities for pension benefits | - | 65,971 | 2,037,705 | 57,603 | 67,883 |
| Total long-term liabilities | - | 65,971 | 2,083,643 | 57,603 | 67,883 |
| **Total Liabilities** | 32,965 | 144,080 | 4,379,011 | 107,663 | 127,624 |
| **Net Assets,** beginning of year | - | 200,405 | 8,820,172 | (34,479) | 796,282 |
| Change in net assets | (139,525) | 8,052 | 2,617,514 | (114,032) | 64,695 |
| **Net Assets,** end of year | (139,525) | 208,457 | 11,437,686 | (148,511) | 860,977 |
| **Total Liabilities and Net Assets** | $ (106,560) | $ 352,537 | $ 15,816,697 | $ (40,848) | $ 988,601 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Financial Position

| Missouri | New England | New Jersey | North Carolina | Pennsylvania, Central | Pennsylvania, GDV | Pennsylvania, Western |
|---|---|---|---|---|---|---|
| $ (1,642) | $ 3,928 | $ 9,989 | $ 9,556 | $ 5,624 | $ 93,357 | $ 8,007 |
| 34,300 | 27,497 | 62,864 | 39,914 | 54,639 | 153,732 | 44,051 |
| 21,665 | 26,700 | 27,314 | 21,300 | 26,405 | 63,437 | 29,275 |
| - | - | - | - | - | - | - |
| - | - | 31,589 | - | - | - | - |
| 54,323 | 58,125 | 131,756 | 70,770 | 86,668 | 310,526 | 81,333 |
| - | - | 56,258 | - | - | - | - |
| - | - | - | - | - | - | - |
| 60,566 | 49,672 | 70,317 | 63,437 | 68,477 | 292,334 | 53,879 |
| 60,566 | 49,672 | 126,575 | 63,437 | 68,477 | 292,334 | 53,879 |
| 114,889 | 107,797 | 258,331 | 134,207 | 155,145 | 602,860 | 135,212 |
| (37,406) | (73,291) | 533,887 | 884,022 | 215,940 | 733,708 | 9,931 |
| 35,605 | (12,589) | 84,156 | 43,081 | 118,762 | 223,125 | (41,158) |
| (1,801) | (85,880) | 618,043 | 927,103 | 334,702 | 956,833 | (31,227) |
| $ 113,088 | $ 21,917 | $ 876,374 | $ 1,061,310 | $ 489,847 | $ 1,559,693 | $ 103,985 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Financial Position

| *December 31, 2009* | South Carolina | South Dakota, Eastern | South Dakota, Western | Tennessee, Chattanooga | Tennessee, Eastern |
|---|---|---|---|---|---|
| **Liabilities and Net Assets** | | | | | |
| **Liabilities** | | | | | |
| Accounts payable and accrued expenses | $ 597 | $ 157 | $ 244 | $ 3,284 | $ (66) |
| Employee compensation and benefits | 54,280 | 19,641 | 9,015 | 23,749 | 22,953 |
| Deferred adoption fees | 19,100 | 20,490 | 3,150 | 36,500 | 27,510 |
| Due to other funds | - | - | - | - | - |
| Current maturities of long-term notes payable | - | - | - | - | - |
| Total current liabilities | 73,977 | 40,288 | 12,409 | 63,533 | 50,397 |
| Long-term liabilities: | | | | | |
| Long-term notes payable, less current maturities | - | - | - | - | - |
| Annuities payable | - | - | - | - | - |
| Liabilities for pension benefits | 101,559 | 19,122 | 14,713 | 41,651 | 36,802 |
| Total long-term liabilities | 101,559 | 19,122 | 14,713 | 41,651 | 36,802 |
| **Total Liabilities** | 175,536 | 59,410 | 27,122 | 105,184 | 87,199 |
| **Net Assets,** beginning of year | (30,251) | (111,905) | 133,491 | (149,205) | 81,944 |
| Change in net assets | 47,705 | 63,383 | 4,633 | 35,016 | 8,325 |
| **Net Assets,** end of year | 17,454 | (48,522) | 138,124 | (114,189) | 90,269 |
| **Total Liabilities and Net Assets** | $ 192,990 | $ 10,888 | $ 165,246 | $ (9,005) | $ 177,468 |

# 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 |
|---|---|---|---|---|---|---|---|---|
| $ 5,981 | $ 1,146 | $ 14,229 | $ 4,566 | $ 21,227 | $ 11,122 | $ 725,930 | $ - | $ 416,101 |
| 27,611 | 34,772 | 85,199 | 27,581 | 68,532 | 83,232 | 200,549 | (70,241) | 1,279,359 |
| 12,000 | 17,500 | 36,700 | 21,700 | 48,050 | 82,580 | 1,918,882 | 11,471 | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 45,592 | 53,418 | 136,128 | 53,847 | 137,809 | 176,934 | 2,845,361 | (58,770) | 1,695,460 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 392,150 |
| 38,983 | 49,125 | 144,133 | 35,853 | 142,011 | 144,563 | 84,249 | 115,080 | 568,187 |
| 38,983 | 49,125 | 144,133 | 35,853 | 142,011 | 144,563 | 84,249 | 115,080 | 960,337 |
| 84,575 | 102,543 | 280,261 | 89,700 | 279,820 | 321,497 | 2,929,610 | 56,310 | 2,655,797 |
| (375,338) | (84,997) | (389,797) | 212,362 | (262,184) | 699,187 | 1,191,605 | (75,758) | 5,850,500 |
| (49,079) | (68,609) | 71,436 | 51,354 | 55,649 | 101,318 | 448,516 | (56,695) | 3,756,804 |
| (424,417) | (153,606) | (318,361) | 263,716 | (206,535) | 800,505 | 1,640,121 | (132,453) | 9,607,304 |
| $ (339,842) | $ (51,063) | $ (38,100) | $ 353,416 | $ 73,285 | $ 1,122,002 | $ 4,569,731 | $ (76,143) | $ 12,263,101 |

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

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Activities

| *Year ended December 31, 2009* | Total | Arkansas | California, Northern | California, Southern | Colorado |
|---|---|---|---|---|---|
| **Operating Revenues and Other Support** | | | | | |
| Contributions | $ 10,475,008 | $ 197,747 | $ 493,327 | $ 184,816 | $ 87,709 |
| Child support | 37,170,542 | - | - | - | 743,837 |
| Service fees | 19,394,753 | 191,672 | 716,526 | 795,791 | 451,653 |
| Investments and other | 5,422,534 | 24,502 | 22,162 | 48,378 | 52,896 |
| **Total Operating Revenues and Other Support** | 72,462,837 | 413,921 | 1,232,015 | 1,028,985 | 1,336,095 |
| **Operating Expenses** | | | | | |
| Salaries | 29,807,205 | 150,634 | 619,498 | 376,542 | 408,700 |
| Employee benefits | 7,661,962 | 33,647 | 153,054 | 91,358 | 77,561 |
| Payroll taxes | 2,194,391 | 11,432 | 45,839 | 28,080 | 30,916 |
| Professional fees | 2,309,468 | 12,989 | 17,113 | 23,176 | 59,698 |
| Supplies | 555,412 | 1,990 | 11,342 | 7,903 | 6,755 |
| Telephone | 735,590 | 8,025 | 21,641 | 22,208 | 18,825 |
| Postage and shipping | 605,968 | 3,652 | 13,960 | 13,002 | 5,664 |
| Occupancy | 3,420,217 | 20,036 | 75,112 | 78,741 | 62,837 |
| Outside printing | 755,270 | 4,485 | 9,650 | 8,965 | 5,456 |
| Travel and transportation | 2,289,266 | 10,262 | 24,417 | 25,422 | 36,389 |
| Advertising | 1,403,782 | 10,245 | 33,084 | 45,294 | 13,064 |
| Special assistance | 9,602,254 | 15,263 | 56,484 | 6,560 | 424,455 |
| Overseas contributions | 545,923 | - | - | - | - |
| Miscellaneous | 3,964,221 | 29,420 | 71,141 | 79,554 | 22,820 |
| Depreciation | 732,897 | - | 75,099 | - | 2,209 |
| Support services | - | 48,773 | 191,445 | 124,465 | 125,004 |
| **Total Operating Expenses** | 66,583,826 | 360,853 | 1,418,879 | 931,270 | 1,300,353 |
| Pension liability adjustment | (2,259,870) | (11,586) | (46,607) | (28,764) | (31,382) |
| **Total Operating Expenses and Pension Cost** | 64,323,956 | 349,267 | 1,372,272 | 902,506 | 1,268,971 |
| **Change in Net Assets From Operating Activities** | $ 8,138,881 | $ 64,654 | $ (140,257) | $ 126,479 | $ 67,124 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Activities

| Florida, Orlando | Florida, Gulf Coast | Georgia | Illinois | Indiana | Iowa, Northwest | Iowa, South Central |
|---|---|---|---|---|---|---|
| $ 79,834 | $ 33,683 | $ 362,581 | $ 122,779 | $ 169,548 | $ 202,458 | $ 202,995 |
| 54,093 | - | 4,403,925 | - | 2,021,789 | 606,088 | 140,891 |
| 379,416 | 88,755 | 970,642 | 188,471 | 720,556 | 418,173 | 687,975 |
| 7,624 | 33,434 | 147,659 | 20,993 | 54,029 | 42,067 | 53,269 |
| 520,967 | 155,872 | 5,884,807 | 332,243 | 2,965,922 | 1,268,786 | 1,085,130 |
| 160,433 | 59,024 | 1,967,394 | 155,982 | 1,366,761 | 490,833 | 301,288 |
| 40,468 | 8,548 | 482,217 | 43,190 | 417,363 | 111,162 | 75,504 |
| 12,019 | 4,461 | 146,276 | 10,477 | 99,782 | 36,657 | 22,217 |
| 42,163 | 11,328 | 124,019 | 6,287 | 31,889 | 147,683 | 134,000 |
| 3,903 | 3,179 | 28,725 | 3,311 | 9,104 | 8,017 | 8,711 |
| 7,931 | 3,221 | 90,591 | 5,645 | 32,337 | 24,343 | 20,135 |
| 5,060 | 2,152 | 25,530 | 5,509 | 10,876 | 11,760 | 7,331 |
| 25,623 | 4,225 | 356,813 | 139,373 | 85,497 | 50,593 | 54,901 |
| 6,010 | 4,132 | 27,615 | 7,837 | 17,082 | 24,432 | 6,679 |
| 24,384 | 2,246 | 111,479 | 13,781 | 159,865 | 82,331 | 34,970 |
| 2,178 | 4,813 | 153,983 | 7,680 | 12,670 | 19,814 | 32,484 |
| 39,887 | 3,430 | 1,195,984 | 1,221 | 330,620 | 24,959 | 89,814 |
| - | - | - | - | - | - | - |
| 26,429 | 13,093 | 229,866 | 8,972 | 27,856 | 90,643 | 30,410 |
| - | - | 9,942 | 5,760 | 1,885 | 1,719 | 3,372 |
| 61,750 | 20,074 | 618,574 | 66,461 | 386,563 | 178,320 | 122,986 |
| 458,238 | 143,926 | 5,569,008 | 481,486 | 2,990,150 | 1,303,266 | 944,802 |
| (12,417) | - | (151,957) | (10,965) | (104,737) | (37,451) | (23,061) |
| 445,821 | 143,926 | 5,417,051 | 470,521 | 2,885,413 | 1,265,815 | 921,741 |
| $ 75,146 | $ 11,946 | $ 467,756 | $ (138,278) | $ 80,509 | $ 2,971 | $ 163,389 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Activities

| *Year ended December 31, 2009* | Kansas | Maryland | Michigan | Minnesota | Mississippi |
|---|---|---|---|---|---|
| **Operating Revenues and Other Support** | | | | | |
| Contributions | $ 2,934 | $ 199,755 | $ 2,043,953 | $ 128,658 | $ 509,481 |
| Child support | - | 9,750 | 24,091,047 | 104,394 | 60 |
| Service fees | 203,848 | 384,419 | 2,870,632 | 289,616 | 211,398 |
| Investments and other | 60,465 | 33,222 | 1,043,852 | 34,205 | 52,521 |
| **Total Operating Revenues and Other Support** | 267,247 | 627,146 | 30,049,484 | 556,873 | 773,460 |
| **Operating Expenses** | | | | | |
| Salaries | 154,657 | 297,159 | 11,286,814 | 313,208 | 302,474 |
| Employee benefits | 42,989 | 47,160 | 3,004,142 | 67,656 | 100,691 |
| Payroll taxes | 11,415 | 21,991 | 825,058 | 23,414 | 22,047 |
| Professional fees | 31,544 | 15,805 | 512,356 | 12,238 | 15,349 |
| Supplies | 2,877 | 3,016 | 211,754 | 6,039 | 3,186 |
| Telephone | 6,404 | 7,051 | 140,808 | 5,942 | 11,518 |
| Postage and shipping | 3,850 | 7,031 | 99,812 | 10,733 | 8,274 |
| Occupancy | 17,690 | 59,554 | 920,557 | 62,131 | 39,384 |
| Outside printing | 3,123 | 8,211 | 118,785 | 10,161 | 10,173 |
| Travel and transportation | 14,713 | 12,133 | 881,541 | 21,236 | 9,168 |
| Advertising | 4,386 | 26,130 | 335,279 | 24,966 | 22,053 |
| Special assistance | 5,647 | 12,995 | 5,888,321 | 1,859 | 47,280 |
| Overseas contributions | - | - | - | - | - |
| Miscellaneous | 43,228 | 35,959 | 1,003,787 | 37,879 | 45,235 |
| Depreciation | - | - | 241,386 | 990 | 1,041 |
| Support services | 64,249 | 87,586 | 2,815,680 | 94,970 | 94,160 |
| **Total Operating Expenses** | 406,772 | 641,781 | 28,286,080 | 693,422 | 732,033 |
| Pension liability adjustment | - | (22,687) | (854,110) | (22,517) | (23,268) |
| **Total Operating Expenses and Pension Cost** | 406,772 | 619,094 | 27,431,970 | 670,905 | 708,765 |
| **Change in Net Assets From Operating Activities** | $ (139,525) | $ 8,052 | $ 2,617,514 | $ (114,032) | $ 64,695 |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Activities

| Missouri | New England | New Jersey | North Carolina | Pennsylvania, Central | Pennsylvania, GDV | Pennsylvania, Western |
|---|---|---|---|---|---|---|
| $ 144,801 | $ 242,203 | $ 222,294 | $ 157,723 | $ 141,062 | $ 467,606 | $ 185,864 |
| 15,481 | 63,367 | 57,791 | 135,265 | 295,893 | 2,076,930 | 244,561 |
| 405,893 | 235,765 | 1,000,041 | 502,316 | 370,325 | 691,450 | 382,481 |
| 7,173 | 4,856 | 55,996 | 44,371 | 51,647 | 29,322 | 5,057 |
| 573,348 | 546,191 | 1,336,122 | 839,675 | 858,927 | 3,265,308 | 817,963 |
| 238,162 | 239,378 | 625,068 | 290,679 | 344,149 | 1,198,018 | 304,286 |
| 58,828 | 52,115 | 137,368 | 65,706 | 104,200 | 281,345 | 89,777 |
| 17,688 | 17,893 | 46,540 | 21,847 | 24,603 | 87,761 | 22,601 |
| 7,493 | 25,495 | 13,069 | 60,859 | 8,208 | 23,704 | 40,874 |
| 4,492 | 3,498 | 12,885 | 4,059 | 8,275 | 26,491 | 7,566 |
| 13,211 | 12,911 | 14,599 | 12,917 | 10,067 | 31,065 | 14,810 |
| 9,478 | 6,496 | 15,565 | 7,435 | 8,134 | 18,076 | 11,640 |
| 19,767 | 52,729 | 88,847 | 57,353 | 37,115 | 141,529 | 67,972 |
| 9,083 | 7,137 | 12,753 | 7,297 | 6,255 | 20,376 | 10,636 |
| 22,331 | 23,506 | 31,528 | 18,716 | 20,632 | 62,410 | 45,987 |
| 38,856 | 12,687 | 13,245 | 38,497 | 23,846 | 50,485 | 16,782 |
| 23,967 | 11,021 | 41,441 | 117,790 | 55,375 | 667,671 | 70,815 |
| - | - | - | - | - | - | - |
| 17,051 | 35,514 | 65,967 | 17,233 | 16,674 | 129,684 | 66,322 |
| 410 | - | 5,095 | 556 | - | 46,483 | 1,696 |
| 75,200 | 76,752 | 176,010 | 97,969 | 98,996 | 346,888 | 109,768 |
| 556,017 | 577,132 | 1,299,980 | 818,913 | 766,529 | 3,131,986 | 881,532 |
| (18,274) | (18,352) | (48,014) | (22,319) | (26,364) | (89,803) | (22,411) |
| 537,743 | 558,780 | 1,251,966 | 796,594 | 740,165 | 3,042,183 | 859,121 |
| $ 35,605 | $ (12,589) | $ 84,156 | $ 43,081 | $ 118,762 | $ 223,125 | $ (41,158) |

# BETHANY CHRISTIAN SERVICES
## (A NOT-FOR-PROFIT CORPORATION)

## Consolidating Statement of Activities

| *Year ended December 31, 2009* | South Carolina | South Dakota, Eastern | South Dakota, Western | Tennessee, Chattanooga | Tennessee, Eastern |
|---|---|---|---|---|---|
| **Operating Revenues and Other Support** | | | | | |
| Contributions | $ 325,250 | $ 76,823 | $ 83,893 | $ 204,767 | $ 196,950 |
| Child support | 41,141 | - | 250 | - | - |
| Service fees | 460,432 | 292,225 | 90,804 | 190,907 | 288,367 |
| Investments and other | 14,416 | 5,389 | 51,759 | 11,938 | 2,802 |
| **Total Operating Revenues and Other Support** | 841,239 | 374,437 | 226,706 | 407,612 | 488,119 |
| **Operating Expenses** | | | | | |
| Salaries | 358,437 | 125,167 | 85,234 | 169,916 | 223,316 |
| Employee benefits | 94,000 | 24,544 | 20,428 | 33,163 | 64,090 |
| Payroll taxes | 25,450 | 9,231 | 6,330 | 12,837 | 16,428 |
| Professional fees | 15,723 | 17,963 | 19,824 | 9,077 | 8,089 |
| Supplies | 5,272 | 3,076 | 2,139 | 4,141 | 5,734 |
| Telephone | 17,768 | 2,880 | 4,736 | 6,181 | 7,698 |
| Postage and shipping | 11,126 | 5,757 | 3,441 | 4,916 | 4,502 |
| Occupancy | 61,860 | 13,678 | 19,365 | 33,089 | 39,746 |
| Outside printing | 12,515 | 4,171 | 3,600 | 7,725 | 4,511 |
| Travel and transportation | 19,122 | 6,379 | 4,771 | 4,326 | 15,484 |
| Advertising | 38,696 | 13,669 | 8,416 | 16,163 | 21,186 |
| Special assistance | 22,895 | 3,493 | 4,749 | 13,366 | 11,932 |
| Overseas contributions | - | - | - | - | - |
| Miscellaneous | 26,619 | 31,447 | 13,167 | 17,218 | 5,589 |
| Depreciation | - | - | - | 851 | - |
| Support services | 111,621 | 59,232 | 32,371 | 52,608 | 68,635 |
| **Total Operating Expenses** | 821,104 | 320,687 | 228,571 | 385,577 | 496,940 |
| Pension liability adjustment | (27,570) | (9,633) | (6,498) | (12,981) | (17,146) |
| **Total Operating Expenses and Pension Cost** | 793,534 | 311,054 | 222,073 | 372,596 | 479,794 |
| **Change in Net Assets From Operating Activities** | $ 47,705 | $ 63,383 | $ 4,633 | $ 35,016 | $ 8,325 |

# 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 |
|---|---|---|---|---|---|---|---|---|
| $ 111,682 | $ 179,980 | $ 348,727 | $ 64,079 | $ 458,191 | $ 291,536 | $ 850,225 | $ 23,483 | $ 675,611 |
| - | 84,055 | 467,142 | 46,986 | 400,955 | 347,533 | 39,348 | 677,970 | - |
| 381,066 | 216,891 | 817,933 | 290,627 | 864,128 | 713,375 | 1,579,469 | 50,715 | - |
| 3,870 | 1,577 | 3,951 | 11,745 | 50,419 | 146,607 | 234,243 | 223,444 | 2,730,674 |
| 496,618 | 482,503 | 1,637,753 | 413,437 | 1,773,693 | 1,499,051 | 2,703,285 | 975,612 | 3,406,285 |
| 231,376 | 228,202 | 717,778 | 178,851 | 597,214 | 696,485 | 612,995 | 291,200 | 3,639,893 |
| 55,162 | 86,887 | 157,616 | 49,356 | 132,710 | 177,018 | 139,953 | 81,787 | 959,199 |
| 17,428 | 16,431 | 53,308 | 13,360 | 43,990 | 50,498 | 42,685 | 18,118 | 277,283 |
| 33,134 | 34,549 | 55,330 | 9,494 | 88,188 | 47,587 | 75,591 | 110,363 | 407,217 |
| 3,362 | 4,943 | 19,269 | 3,495 | 15,931 | 16,422 | 14,846 | 6,883 | 62,821 |
| 7,546 | 6,558 | 31,756 | 3,710 | 24,426 | 14,857 | 13,711 | 4,842 | 52,716 |
| 6,522 | 7,622 | 12,723 | 4,010 | 18,842 | 14,625 | 60,072 | 9,909 | 130,881 |
| 58,066 | 33,613 | 135,654 | 30,637 | 112,584 | 78,934 | 38,239 | 10,796 | 235,577 |
| 7,912 | 6,087 | 14,344 | 4,148 | 20,023 | 17,300 | 21,060 | 12,910 | 272,631 |
| 10,022 | 10,132 | 31,714 | 7,436 | 60,260 | 50,141 | 58,886 | 29,500 | 291,646 |
| 26,611 | 12,824 | 38,481 | 12,248 | 41,556 | 20,259 | 6,328 | 22,519 | 182,305 |
| 11,478 | 10,659 | 48,574 | 2,970 | 228,903 | 16,816 | 73,720 | 19,330 | 510 |
| - | - | - | - | - | - | 543,923 | - | 2,000 |
| 17,710 | 34,296 | 75,794 | 3,839 | 170,931 | 48,957 | 279,588 | 299,474 | 794,855 |
| 1,111 | - | 5,818 | 156 | 1,853 | 3,793 | 45,113 | 5,982 | 270,577 |
| 75,909 | 75,774 | 223,234 | 52,129 | 206,061 | 197,426 | 273,305 | 127,381 | (7,638,329) |
| 563,349 | 568,577 | 1,621,393 | 375,839 | 1,763,472 | 1,451,118 | 2,300,015 | 1,050,994 | (58,218) |
| (17,652) | (17,465) | (55,076) | (13,756) | (45,428) | (53,385) | (45,246) | (18,687) | (292,301) |
| 545,697 | 551,112 | 1,566,317 | 362,083 | 1,718,044 | 1,397,733 | 2,254,769 | 1,032,307 | (350,519) |
| $ (49,079) | $ (68,609) | $ 71,436 | $ 51,354 | $ 55,649 | $ 101,318 | $ 448,516 | $ (56,695) | $ 3,756,804 |

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

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