

Consolidated Financial Statements (and supplemental material)

Year Ended December 31, 2006



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Year Ended December 31, 2006

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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, 2006, 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 2005 consolidated financial statements and, in our report dated February 24, 2006, 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 statement, as well as evaluating 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, 2006, 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.

As discussed in Note 8 to the consolidated financial statements, the Organization changed its method for recognizing the funded status of its defined benefit pension plan in 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2007, 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.

BDD Seidnam, LLP

Grand Rapids, Michigan March 23, 2007

Consolidated Financial Statements

December 31,	Current Operating	Temporarily Restricted
Assets		
Cash and cash equivalents	\$ 5,463,669	\$ -
Investments (Note 3)	26,489,867	-
Accounts receivable, net of allowance for doubtful accounts		
of \$68,000 and \$55,000 for 2006 and 2005, respectively	6,097,257	-
Campaign pledges receivable (Note 4)	34,401	428,186
Prepaid expenses	228,009	-
Due from other funds	-	4,703,151
Total current assets	38,313,203	5,131,337
Property and equipment		
Land and land improvements	1,578,361	-
Buildings and improvements	11,577,547	-
Furniture and equipment	4,327,318	-
Vehicles	133,602	-
Construction in progress (estimated cost to	,	
complete of \$1,170,000)	299,136	739,703
	17,915,964	739,703
Less accumulated depreciation	7,364,954	-
Net property and equipment	10,551,010	739,703
Other assets		
Intangible asset from pension plan (Note 8)	-	-
Campaign pledges receivable, less current portion (Note 4)	26,774	277,977
Investment in unconsolidated affiliate (Note 11)	782,234	-
Deposits	94,578	-
Total other assets	903,586	277,977
Total Assets	\$49,767,799	\$ 6,149,017

Consolidated Statements of Financial Position

	Totals					
Permanently Restricted	2006	2005				
\$-	\$ 5,463,669	\$ 4,751,460				
112,076	26,601,943	23,521,475				
-	6,097,257	6,625,621				
-	462,587	915,148				
-	228,009	537,662				
-	4,703,151	4,856,632				
112,076	43,556,616	41,207,998				
-	1,578,361	1,272,113				
-	11,577,547	11,273,249				
-	4,327,318	4,003,020				
-	133,602	79,623				
-	1,038,839	360,104				
_	18,655,667	16,988,109				
-	7,364,954	6,682,241				
-	11,290,713	10,305,868				
-	-	271,330				
-	304,751	420,631				
-	782,234	793,591				
-	94,578	84,839				
	1,181,563	1,570,391				
\$ 112,076	\$56,028,892	\$53,084,257				

December 31,	Current Operating	Temporarily Restricted	
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 1,982,960	\$ -	
Employee compensation and benefits	3,488,200	-	
Deferred adoption fees Due to other funds	3,385,555	-	
Current maturities of long-term notes payable (Note 7)	4,703,151 70,663	-	
Other liabilities		455,093	
Total current liabilities	13,630,529	455,093	
	, ,	,	
Long-term liabilities: Long-term notes payable, less current maturities (Note 7)	648,418		
Annuities payable (Note 6)	372,208	-	
Additional minimum pension liability (Note 8)	3,533,927	-	
Total long-term liabilities	4,554,553	_	
Fotal Liabilities	18,185,082	-	
Commitments and Contingencies (Notes 5, 8, 9, 10 and 11)			
Net Assets			
Unrestricted:	10 (70 945		
Undesignated Board designated - Children's Fund	19,679,845 11,899,329	-	
Gifts for Bethany	3,543	-	
Temporarily restricted:			
Building Fund	-	5,693,924	
Permanently restricted	-	-	
Total Net Assets	31,582,717	5,693,924	
Fotal Liabilities and Net Assets	\$49,767,799	\$ 6,149,017	

Consolidated Statements of Financial Position

	Totals					
Permanently Restricted	2006	2005				
¢	ф. с 1 40 1 45				
\$ -	\$ 1,982,960 3,488,200	\$ 2,149,145 3,141,297				
-	3,385,555	3,144,083				
-	4,703,151	4,856,632				
-	70,663	62,021				
_	455,093	-				
-	14,085,622	13,353,178				
_	648,418	719,081				
-	372,208	560,293				
	3,533,927	3,024,431				
	4,554,553	4,303,805				
	18,640,175	17,656,983				
-	19,679,845	18,342,726				
-	11,899,329	10,802,844				
-	3,543	3,402				
-	5,693,924	6,181,618				
112,076	112,076	96,684				
112,076	37,388,717	35,427,274				
\$ 112,076	\$56,028,892	\$53,084,257				

See accompanying notes to consolidated financial statements.

Year ended December 31,	Current Operating	Temporarily Restricted	
Operating Revenues and Other Support			
Contributions:			
Individual	\$ 4,801,678	\$ 234,483	
Churches and affiliated organizations	1,489,318	-	
Business and foundations	3,681,006	548,041	
Other	527,904	-	
Child support	27,606,227	-	
Service fees	16,557,872	-	
Investment income	1,465,043	-	
Realized gain on investments	1,099,097	-	
Unrealized gain (loss) on investments	531,388	-	
Miscellaneous income	1,591,399	-	
Total Operating Revenues and Other Support	59,350,932	782,524	

Consolidated Statements of Activities

		Totals					
	Permanently Restricted 20		2005				
\$	_	\$ 5,036,161	\$ 5,850,952				
Ŧ	_	1,489,318	1,397,557				
	13,786	4,242,833	2,856,285				
	-	527,904	387,559				
	-	27,606,227	28,196,104				
	-	16,557,872	16,547,282				
	1,606	1,466,649	1,038,415				
	-	1,099,097	514,593				
	-	531,388	(851,258)				
	-	1,591,399	1,347,168				
	15,392	60,148,848	57,284,657				

Year ended December 31,	Current Operating	Temporarily Restricted
Operating Expenses		
Program services:		
Michigan:		
Residential:		
Social services	\$ 562,469	\$ -
Maintenance	1,600,871	-
Foster care:		
Social services	1,956,550	-
Maintenance	2,215,274	-
State adoptions	2,940,392	-
Refugee	1,631,855	-
Other programs	6,340,576	-
Adoptions, foster care and other programs		
outside of Michigan	30,329,031	-
Foster care:		
Illinois	813,159	-
Philadelphia	1,421,346	_
Total program services	49,811,523	-
Management and general	4,018,332	-
Fund raising	2,324,509	-
Fotal Operating Expenses	56,154,364	-
Change in Net Assets From Operating Activities	3,196,568	782,524
Nonoperating Expenses		
Effect of implementation of FASB Statement No. 158 (Note 8)	(2,033,041)	-
Net assets released from restrictions	1,270,218	(1,270,218
Total Nonoperating Expenses	(762,823)	(1,270,218
Changes in Net Assets	\$ 2,433,745	\$ (487,694

Consolidated Statements of Activities

	Totals					
Permanently Restricted	2006	2005				
\$ -	\$ 562,469	\$ 537,496				
Ψ -	1,600,871	1,649,003				
-	1,956,550	2,085,620				
-	2,215,274	2,341,229				
-	2,940,392	2,874,500				
-	1,631,855	1,760,635				
-	6,340,576	5,883,498				
-	30,329,031	29,235,009				
-	813,159	905,659				
-	1,421,346	1,513,653				
-	49,811,523	48,786,302				
-	4,018,332	3,824,958				
-	2,324,509	1,986,318				
_	56,154,364	54,597,578				
15,392	3,994,484	2,687,079				
-	(2,033,041)	-				
	(2,033,041)					
\$ 15,392	\$ 1,961,443	\$ 2,687,079				

See accompanying notes to consolidated financial statements.

				Michigan	
	Resi	idential	Foste	er Care	
Year ended December 31, 2006	Social Services	Maintenance	Social Services	Maintenance	State Adoptions
Operating Expenses					
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
Total Operating Expenses	562,469	1,600,871	1,956,550	2,215,274	2,940,392
Nonoperating Expense					
Effect of implementation of F.	ASB				
Statement No. 158	27,983	79,643	105,811	-	138,339
Total Expenses	\$590,452	\$1,680,514	\$ 2,062,361	\$ 2,215,274	\$ 3,078,731

Consolidated Statements of Functional Expenses

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

				Michigan	
	Resi	dential	Foste		
Year ended December 31, 2005	Social Services	Maintenance	Social Services	Maintenance	State Adoptions
Salaries	\$346,719	\$ 986,817	\$ 1,305,284	\$-	\$ 1,675,209
Employee benefits	89,476	254,662	306,682	-	394,872
Payroll taxes	25,336	72,109	102,371	-	123,868
Professional fees	1,916	5,452	9,298	-	52,615
Supplies	7,855	22,356	10,118	-	40,010
Telephone	3,875	11,028	17,431	-	42,109
Postage and shipping	253	720	9,923	-	22,257
Occupancy	25,991	73,975	101,622	-	199,514
Outside printing	34	96	4,314	-	11,279
Travel and transportation	8,270	23,538	140,626	-	112,004
Advertising	118	335	9,439	-	63,155
Special assistance	-	119,211	-	2,341,229	10,736
Overseas contributions	-	-	-	-	-
Miscellaneous	5,614	15,978	29,956	-	110,670
Depreciation	22,039	62,726	38,556	-	16,202
Total Expenses	\$537,496	\$1,649,003	\$2,085,620	\$2,341,229	\$ 2,874,500

Consolidated Statements of Functional Expenses

	Other	Adoptions, Foster Care and Other Programs Outside of	 Foste	r Ca	re	Management	Fund	
Refugee	Programs	Michigan	Illinois	Р	hiladelphia	and General	Raising	Total
0	<u> </u>	0			1		0	
\$ 411,041	\$ 3,032,591	\$ 12,245,211	\$ 368,001	\$	563,239	\$1,867,324	\$ 676,975	\$23,478,411
96,234	708,910	2,654,225	96,912		130,556	385,618	138,445	5,256,592
29,191	228,244	913,492	27,834		43,110	133,257	56,552	1,755,364
53,760	195,755	956,518	6,359		5,965	121,952	51,365	1,460,955
178	70,151	321,150	6,308		5,198	35,273	14,997	533,594
4,624	39,777	441,181	8,811		10,853	55,078	13,609	648,376
4,011	18,087	402,282	9,447		6,748	65,746	61,164	600,638
9,394	234,810	1,720,052	22,073		88,233	140,577	44,311	2,660,552
1,148	53,816	420,483	2,776		1,875	47,895	138,511	682,227
44,423	245,661	994,468	11,729		25,916	100,860	30,474	1,737,969
6,562	62,692	1,242,479	173		5,132	83,353	12,793	1,486,231
1,073,906	763,963	4,480,351	297,804		600,631	1,030	-	9,688,861
-	-	677,950	-		-	-	-	677,950
22,619	145,447	1,659,501	36,886		20,924	535,223	747,122	3,329,940
3,544	83,594	105,666	 10,546		5,273	251,772	 -	599,918
\$1,760,635	\$ 5,883,498	\$ 29,235,009	\$ 905,659	\$	1,513,653	\$3,824,958	\$ 1,986,318	\$54,597,578

Consolidated Statements of Changes in Net Assets

	Current Operating	Temporarily Restricted	Permanently Restricted	Total
Balance, January 1, 2005	\$27,746,630	\$ 4,912,854	\$ 80,711	\$32,740,195
Changes in Net Assets				
Unrestricted	1,402,342	-	-	1,402,342
Temporarily restricted	-	1,268,764	-	1,268,764
Permanently restricted	-	-	15,973	15,973
Total changes in net assets	1,402,342	1,268,764	15,973	2,687,079
Total changes in net assets	1,102,512	1,200,701	10,975	2,007,077
Balance, December 31, 2005	29,148,972	6,181,618	96,684	35,427,274
Changes in Net Assets				
Unrestricted	2,433,745	-	-	2,433,745
Temporarily restricted	-	(487,694)	-	(487,694)
Permanently restricted	-	_	15,392	15,392
Total changes in net assets	2,433,745	(487,694)	15,392	1,961,443
Balance, December 31, 2006	\$31,582,717	\$ 5,693,924	\$112,076	\$37,388,717

Consolidated Statements of Cash Flows

Year ended December 31,	2006	2005
Operating Activities		
Changes in net assets	\$ 1,961,443	\$ 2,687,079
Adjustments to reconcile changes in net assets to net cash)) -	, , ,
from operating activities:		
Depreciation	718,626	599,918
Amortization of intangible asset from pension plan	271,330	81,400
Effect of implementation of FASB Statement No. 158	2,033,041	-
Unrealized loss (gain) on investments	(531,388)	851,258
Gain from sale of investments	(1,099,097)	(514,593)
Loss on disposal of equipment	50,763	5,469
Earnings in unconsolidated investment	(39,643)	(11,531)
Net present value adjustment of annuities payable	(37,874)	22,000
Changes in assets and liabilities:	(-)-)	,
Accounts receivable	528,364	(1,002,878)
Prepaid expense	309,653	(319,510)
Deposits	(9,739)	7,904
Accounts payable and accrued expenses	288,908	178,209
Employee compensation and benefits	346,903	801,354
Deferred adoption fees	241,472	599,738
Additional minimum pension liability	(1,523,545)	392,252
Net Cash From Operating Activities	3,509,217	4,378,069
Investing Activities		
Additions to property and equipment	(1,754,234)	(4,080,213)
Purchase of investments	(10,716,443)	(6,035,765)
Proceeds from sale of investments	9,266,460	5,313,661
Investments in unconsolidated affiliate	- ,	(802,060)
Distributions from unconsolidated affiliate	51,000	20,000
Net Cash for Investing Activities	(3,153,217)	(5,584,377)

Consolidated Statements of Cash Flows

Year ended December 31,	2006	2005
Financing Activities		
Decrease in campaign pledges receivable	\$ 568,441	\$ 1,247,934
Decrease in annuities payable	(150,211)	(44,000)
Proceeds from issuance of long-term debt	-	575,000
Principal payments on long-term debt	(62,021)	(47,911)
Net Cash From Financing Activities	356,209	1,731,023
Net Increase in Cash and Cash Equivalents	712,209	524,715
Cash and Cash Equivalents, beginning of year	4,751,460	4,226,745
Cash and Cash Equivalents, end of year	\$ 5,463,669	\$ 4,751,460
Supplemental Disclosure of Cash Flow Information Cash paid during the year for interest	\$ 122,451	\$ 134,030

Notes to Consolidated Financial Statements

1. Organization

Bethany Christian Services and its subsidiaries (Organization) are not-for-profit corporations described in Internal Revenue Code Section 501(c)(3), exempt from taxation under Sections 501(a) and 509(a)(3) of the Internal Revenue Code. 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 47% and 50% of operating revenue in 2006 and 2005, 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, 2005, 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.

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 \$1,349,853 and \$1,486,231 in 2006 and 2005, 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

Notes to Consolidated Financial Statements

Health Insurance Benefits

Health insurance benefits for employees are funded by the Organization up to the stoploss 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 remainder when the adoption is closed. Deferred adoption fees represent fees billed to prospective parents and collected in advance of providing these services.

Notes to Consolidated Financial Statements

- 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 fund raising 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, 2006 and 2005, contributed services and materials amounted to \$364,930 and \$348,337, respectively.

3. Investments

December 31,	2006	2005
Stocks	\$16,587,230	\$13,940,595
Bonds and notes	6,970,697	7,165,400
Mutual funds	1,498,501	399,773
Annuities	1,545,515	2,015,707
	\$26,601,943	\$23,521,475

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:

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 2006 and 6% in 2005.

Unconditional promises to give consists of the following:

December 31,	2006	2005
Receivable due in less than one year	\$ 462,587	\$ 915,148
Receivable due in one to four years	331,557	435,429
Gross unconditional promises to give	794,144	1,350,577
Less: discounts to net present value	26,806	14,798
Net Unconditional Promises to Give	\$ 767,338	\$ 1,335,779

5. Line of Credit

The Organization has a line of credit agreement which permits borrowings up to \$2,000,000 and bears interest at 3/4% below the prime rate, effectively 7.5% and 6.5% at December 31, 2006 and 2005, respectively. At December 31, 2006 and 2005, there were no amounts outstanding under the line of credit agreement.

6. 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

Notes to Consolidated Financial Statements

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 4.8% per annum were used in 2006 and 2005. The resulting adjustments of approximately \$38,000 and \$22,000 were made to investment income in the statements of activities for the years ended December 31, 2006 and 2005, respectively.

7. Notes Payable

Long-term debt consists of a \$195,825 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 \$523,256 note payable, secured by a mortgage, to a company with payments due in monthly installments ranging from \$6,333 to \$6,849, 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:

2007	\$ 70,663
2008	78,671
2009	86,997
2010	405,094
2011	77,656
	\$719,081

Year ending December 31,

Notes to Consolidated Financial Statements

8. 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 ending December 31, 2007. However, the Organization decided to early adopt the recognition and disclosure provisions of Statement No. 158 as of December 31, 2006.

Although the actuarial valuation of the retirement plan obligations at year end has not yet been completed, and the fair value of retirement plan assets is subject to change based on market fluctuations through December 31, 2006, the Organization estimated that the implementation of Statement No. 158 resulted in an additional liability for retirement plans and a reduction in unrestricted net assets of about \$2,033,041.

The benefit obligations of the retirement plan exceed the value of the plan assets at December 31, 2006 and 2005. This difference represents the "Funded Status" of the plan. The amount that the plan is underfunded decreased from December 31, 2005 to December 31, 2006. 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 2006, 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 2006.

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.

Notes to Consolidated Financial Statements

Financial information regarding the Plan is as follows:

December 31,	2006	2005
Obligation and Funded Status		
Benefit obligation	\$ (16,736,027)	\$ (15,511,639)
Plan assets at fair value	12,430,646	9,905,669
Under-Funded Status	\$ (4,305,381)	\$ (5,605,970)

The components of the Under-funded Status are as follows:

December 31,	2006 2	005
Unrecognized prior service cost Unrecognized net loss Accrued pension cost	\$ 189,930 \$ 271, 3,343,997 4,537, 771,454 797,	258
Under-Funded Status	\$ 4,305,381 \$ 5,605,	970

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

Year ended December 31,	2006	2005
Net Periodic Pension Cost		
Service cost	\$ 1,110,715 \$	1,045,799
Interest cost	928,078	825,270
Expected return on assets	(822,688)	(716,267)
Amortization of transition obligation	-	-
Amortization of prior service cost	81,400	81,400
Amortization of loss	389,221	347,679
Net Periodic Pension Cost	\$ 1,686,726 \$	1,583,881

Notes to Consolidated Financial Statements

The accumulated benefit obligation was \$14,892,913 and \$13,727,482 at the measurement dates of December 31, 2006 and 2005, respectively.

Year ended December 31,		2006	2005
Additional Information			
Employer contributions	\$	1,712,654 \$	1,061,374
Benefits paid	Ψ	359,729	282,188
Benefit cost		1,686,726	1,583,881
Accrued pension cost (included in current liabilities)		(771,454)	(797,382)
		2006	2005
Assumptions Weighted-average assumptions used to determine net			
periodic benefit cost for the years ended December 3	31:		
Discount rate		6.0%	6.0%
Expected return on plan assets		8.0%	8.0%
Rate of compensation increase		3.5%	3.5%
Weighted-average assumptions used to determine bene obligation at December 31:	fit		
Discount rate		6.25%	6.0%
Rate of compensation increase		3.5%	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.

Notes to Consolidated Financial Statements

Plan Assets

The Plan's assets are as follows:

Year ended December 31,	2006	2005
Common stocks	\$ 4,522,100	\$ 3,452,930
Corporate bonds	2,871,626	2,503,569
U.S. government securities	1,014,783	671,141
Money market fund	944,802	315,019
Mutual funds	3,077,335	2,963,010
Total	\$ 12,430,646	\$ 9,905,669

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:

Year ended December 31, 2006

Short term cash/money market	0% - 10%
Fixed income	30% - 60%
Common stocks	30% - 70%

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Notes to Consolidated Financial Statements

Cash Flows

The Organization expects to contribute \$1,500,000 to the Plan in 2007. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year ending December 31,

2007	\$ 419,000
2008	643,000
2009	760,000
2010	814,000
2011	905,000
2012-2016	6,279,000

The Organization also maintains a deferred compensation plan qualified under Section 403(b) of the Internal Revenue Code. The Organization accounts for this plan under the pay as you go method and makes only annually determined discretionary matching contributions. 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 Internal Revenue Code. 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 6% of an employee's income. Discretionary contributions to the plan for the years ended December 31, 2006 and 2005 were \$98,248 and \$90,193, respectively.

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Notes to Consolidated Financial Statements

9. Lease Commitments

The Organization leases office space and automobiles under noncancelable operating leases. Minimum rental commitments as of December 31, 2006, for these leases are as follows:

Year ending December 31,

2007	\$1,636,952
2008	1,215,606
2009	748,755
2010	524,960
2011	332,418
	\$4,458,691

Total rent expense was \$1,826,317 and \$1,693,456 for 2006 and 2005, respectively.

10. 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 2006 and 2005 to the bank on behalf of adopting parents. Under the loan guarantee program, prospective parents enter into two-year loan agreements 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 \$2,217,013 and \$2,036,965 at December 31, 2006 and 2005, respectively. Although management does not anticipate incurring material losses on these guarantees, a provision for possible losses was \$40,000 at December 31, 2006 and 2005.

Notes to Consolidated Financial Statements

11. 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 \$39,643 and \$11,531 and a distribution of \$51,000 and \$20,000 for the years ended December 31, 2006 and 2005, respectively.

Supplemental Material



BDO Seidman, LLP Accountants and Consultants

99 Monroe Avenue N.W., Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

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.

BDD Seidman, LLP

Grand Rapids, Michigan March 23, 2007

December 31, 2006	Total	Arkansas	California, Northern	California, Southern	Colorado
Assets					
Current assets					
Cash and cash equivalents	\$ 5,463,669	\$ 901	\$ 9,982	\$ 26,402	\$ 10,306
Investments	26,601,943	472,629	600,359	35,865	605,976
Accounts receivable, net	6,097,257	1,350	48,691	41,441	119,482
Campaign pledges receivable	462,587	- 2 2 5 1	136,456 5,911	-	4 214
Prepaid expenses Due from other funds	228,009 4,703,151	2,351	409,573	16,635	4,214
Total current assets	43,556,616	477,231	1,210,972	120,343	739,978
Property and equipment		,	-,,		,,
Land and land improvements	1,578,361	-	43,667	-	-
Buildings and improvements	11,577,547	-	298,003	-	1,750
Furniture and equipment	4,327,318	5,787	55,340	5,182	6,415
Vehicles	133,602	-	19,000	-	-
Construction in progress	1,038,839	-	732,403	-	-
	18.655.667	5,787	1.148.413	5.182	8,165
Less accumulated depreciation	7,364,954	5,787	247,640	5,182	6,924
Net property and equipment	11,290,713	-	900,773	-	1,241
Other assets					
Campaign pledges receivable	304,751	-	69,556	-	-
Investment in unconsolidated affiliate	782,234	-	-	-	-
Deposits	94,578	-	6,085	5,371	1,600
Total other assets	1,181,563	-	75,641	5,371	1,600
Total Assets	\$ 56,028,892	\$ 477,231	\$ 2,187,386	\$ 125,714	\$ 742,819
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	\$ 1,982,960	\$ 144,949	\$ 6,372	\$ 3,119	\$ 49,365
Employee compensation and benefits	3,488,200	23,789	93,117	40,197	55,893
Deferred adoption fees	3,385,555	5,400	58,265	12,600	6,000
Due to other funds	4,703,151	-	409,573	-	-
Current maturities of long-term notes payable	70,663	-	-	-	-
Other liabilities	455,093	-	-	-	-
Total current liabilities	14,085,622	174,138	567,327	55,916	111,258
Long-term liabilities:					
Long-term notes payable, less current maturities	648,418	-	-	-	-
Annuities payable	372,208	-	-	-	-
Additional minimum pension liability	3,533,927	27,856	74,660	 57,704	58,030
Total long-term liabilities	4,554,553	27,856	74,660	57,704	58,030
Total Liabilities	18,640,175	201,994	641,987	113,620	169,288
Net Assets, beginning of year	35,427,274	 164,471	 1,290,827	 (95,113)	 497,679
Equity Transfers	-	-	-	-	-
Change in net assets	1,961,443	110,766	254,572	107,207	75,852
Net Assets, end of year	37,388,717	275,237	1,545,399	12,094	573,531
Total Liabilities and Net Assets	\$ 56,028,892	\$ 477,231	\$ 2,187,386	\$ 125,714	\$ 742,819

Consolidating Statement of Financial Position

				Iowa,	Iowa,
 Florida	Georgia	Illinois	Indiana	Northwest	South Central
\$ 2,722 \$	28,100 \$	(83,764) \$	16,853 \$	18,029 \$,
21,388 39,540	2,002,736 663,813	82,055	642,419 258,251	230,227 50,839	567,434 146,835
- 1,971	- 12,724	-	6,192	2,200	4,643
 -	97,000	-		- 2,200	4,043
 65,621	2,804,373	(1,709)	923,715	301,295	728,006
		81.000			
-	93,950	81,000 534,000	-	-	-
-	37,524	97,722	11,308	11,605	15,375
-	53,980	-	-	-	-
 	195 454	712 722	11 209	11.605	15 275
 -	185,454 28,176	712,722 87,762	11,308 2,042	11,605 1,999	15,375 8,074
 -	157,278	624,960	9,266	9,606	7,301
-	782,234	-	-	-	-
 2,085	1,090	-	-	-	2,000
 2,085	783,324	-	-	-	2,000
\$ 67,706 \$	3,744,975 \$	623,251 \$	932,981 \$	310,901 \$	737,307
\$ (1,068) \$	146,689 \$	20,123 \$	4,175 \$	(8) \$	19,898
21,287	231,149	79,562	114,283	43,702	43,687
5,100	90,070	10,800	35,250	15,135	46,830
-	-	37,731	-	-	-
 25,319	467,908	148,216	153,708	58,829	110,415
		10.5.500			
-	-	485,523	-	-	-
 15,551	194,398	96,972	82,392	44,306	36,343
 15,551	194,398	582,495	82,392	44,306	36,343
 40,870	662,306	730,711	236,100	103,135	146,758
25,704	3,300,190	65,359	697,771	328,072 (82,206)	660,208
 1,132	(217,521)	(172,819)	(890)	(38,100)	(69,659)
 26,836	3,082,669	(107,460)	696,881	207,766	590,549
\$ 67,706 \$	3,744,975 \$	623,251 \$	932,981 \$	310,901 \$	737,307

December 31, 2006		Maryland	Michigan	Minnesota	Mississippi	Missouri
Assets						
Current assets						
Cash and cash equivalents	\$	3,215	,	,		\$ 1,540
Investments		483,015	6,415,681	204,149	843,151	192,371
Accounts receivable, net		34,914	2,610,121	117,495	8,698	38,314
Campaign pledges receivable		-	135,271	-	-	-
Prepaid expenses Due from other funds		3,918	19,089	5,322	2,434	2,919
		525,062	9,673,232	331,673	862,012	235,144
Total current assets		525,062	9,073,232	331,073	862,012	235,144
Property and equipment			(15.92)			
Land and land improvements		-	615,826	-	-	-
Buildings and improvements		-	5,266,774 1,096,557	-	8,156	-
Furniture and equipment Vehicles		-	43,325	-	8,150	-
Construction in progress		-	180,118	-	-	-
Construction in progress		-	,		-	-
Less accumulated depreciation		-	7,202,600 3,874,453	-	8,156 8,156	-
Net property and equipment		_	3,328,147	-	-	-
Other assets			*,*=*,*			
Campaign pledges receivable		_	119,197	_	_	_
Investment in unconsolidated affiliate		_		_	_	-
Deposits		2,898	10,255	434	-	2,485
Total other assets		2,898	129,452	434	-	2,485
Total Assets	\$	527,960	\$ 13,130,831	\$ 332,107	\$ 862,012	\$ 237,629
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$	1.636	\$ 265.378	\$ 3,556	\$ 240	\$ (3,036)
Employee compensation and benefits	φ	37,540	1,204,300	³ 3,550 29,692	46,952	31,372
Deferred adoption fees		10,800	134,960	12,307	7,740	7,527
Due to other funds				-	-	
Current maturities of long-term notes payable		-	32,932	-	-	-
Other liabilities		-	455,093	-	-	-
Total current liabilities		49,976	2,092,663	45,555	54,932	35,863
Long-term liabilities:						
Long-term notes payable, less current maturities		-	162,895	-	-	-
Annuities payable		-	-	-	-	-
Additional minimum pension liability		44,645	1,324,484	29,154	41,700	30,368
			1,487,379	29,154	41,700	30,368
Total long-term liabilities		44,645	1,407,577			
Total long-term liabilities Total Liabilities		44,645 94,621	3,580,042	74,709	96,632	66,231
		,		74,709 271,163	96,632 622,102	66,231 172,146
Total Liabilities Net Assets, beginning of year		94,621	3,580,042			
Total Liabilities		94,621	3,580,042		622,102	
Total Liabilities Net Assets, beginning of year Equity Transfers		94,621 405,270	3,580,042 8,606,120	271,163	622,102	172,146

Consolidating Statement of Financial Position

 New England	New Jersey	North Carolina	Pennsylvania, Central	Pennsylvania, GDV]	Pennsylvania, Western
\$ 2,316	\$ 8,839	\$ 3,001	\$ 11,048	\$ 85,079	\$	2,834
34,115 34,538	173,337 62,269	967,177 22,335	235,357 98,386	497,693 498,938		67,949 83,859
-			-	190,860		-
2,663	4,100	3,800	3,355	11,624		2,928
 -	1,550	 -	 -	 146,986		-
 73,632	 250,095	 996,313	348,146	1,431,180		157,570
_	-	-	-	_		-
-	-	1,644	-	11,329		-
-	10,495	6,164	23,961	41,050		11,055
-	-	-	-	-		-
 -	-	 	 	 		
-	10,495 1,749	7,808 1,861	23,961 23,933	52,379 22,973		11,055 2,303
 -						
 -	8,746	5,947	 28	 29,406		8,752
-	-	-	-	115,998		-
2,414	9,633	1,500	3,524	14,611		1,333
 2,414	9,633	1,500	3,524	130,609		1,333
\$ 76,046	\$ 268,474	\$ 1,003,760	\$ 351,698	\$ 1,591,195	\$	167,655
 ,	,	, ,	,	, ,		,
\$ 848	\$ 1,452	\$ 9,978	\$ 7,761	\$ 165,644	\$	4,460
26,717	32,780	34,542	57,703	168,243		29,974
17,600	14,315 1,550	15,600	20,775	68,150 146,986		11,700
-	-	-	-	-		-
 -	-	-	-	-		-
 45,165	50,097	60,120	86,239	549,023		46,134
-	-	-	-	-		-
-	-	-	-	100 700		-
 31,388	37,099	39,416	 45,982	 180,720		29,267
 31,388	37,099	39,416	45,982	180,720		29,267
 76,553	87,196	99,536	132,221	729,743		75,401
618	260,201	957,723	313,227	653,340		46,234
 (1,125)	(78,923)	(53,499)	(93,750)	208,112		46,020
 (507)	181,278	904,224	 219,477	 861,452		92,254
\$ 76,046	\$ 268,474	\$ 1,003,760	\$ 351,698	\$ 1,591,195	\$	167,655

December 31, 2006	South Carolina	South Dakota, Eastern	South Dakota, Western	,	Tennessee, Eastern
Assets					
Current assets Cash and cash equivalents Investments Accounts receivable, net	\$ 2,752 231,839 14,577	\$ (57,793) - 6,346	\$ (276) 188,064 1,289	\$ (98,837) - 18,868	\$ 499 111,719 27,801
Campaign pledges receivable Prepaid expenses Due from other funds	4,842	1,866	1,027	1,872	2,750
Total current assets	254,010	(49,581)	190,104	(78,097)	142,769
Property and equipment Land and land improvements Buildings and improvements Furniture and equipment Vehicles Construction in progress	13,952	- - - -	- - - -	34,847	- - - -
Less accumulated depreciation	13,952 13,952	-	-	34,847 5,826	-
Net property and equipment	-	-	-	29,021	-
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
Total Assets	\$ 256,510	\$ (48,581)	\$ 190,937	\$ (44,076)	\$ 144,769
Liabilities and Net Assets					
Liabilities Accounts payable and accrued expenses Employee compensation and benefits Deferred adoption fees Due to other funds Current maturities of long-term notes payable Other liabilities	\$ 2,267 56,486 44,473	\$ 154 10,112 5,278	\$ 446 7,572 4,150 - -	\$ 4,211 27,532 4,900	\$ 949 19,677 9,250 - -
Total current liabilities	103,226	15,544	12,168	36,643	29,876
Long-term liabilities: Long-term notes payable, less current maturities Annuities payable Additional minimum pension liability	 65,249	11,467	8,175	25,232	
Total long-term liabilities	65,249	11,467	8,175	25,232	19,925
Total Liabilities	168,475	27,011	20,343	61,875	49,801
Net Assets, beginning of year Equity Transfers Change in net assets	5,644 - 82,391	(62,827) (12,765)	145,033 25,561	(118,344) - 12,393	71,795
Net Assets, end of year	88,035	(75,592)	170,594	(105,951)	94,968
Total Liabilities and Net Assets	\$ 256,510				

Consolidating Statement of Financial Position

	Tennessee, Middle	Tennessee, Mid-South	Virginia, Fairfax	Virginia, Hampton Roads	Washington	Wisconsin	International	Corporate
\$	(3,010) \$ - 73,650	1,018 \$ 101,147 38,167	2,724 \$ 86,823 133,902	2,516 \$ 361,209 56,332	9,646 \$ 204,213 108,560	29,620 \$ 1,080,850 40,130	32,883 \$ 4,703,398 312,322	4,879,924 4,239,653 203,149
	3,781	4,100	6,456	2,268	7,242	4,139	17,914	50,759 4,048,042
_	74,421	144,432	229,905	422,325	329,661	1,154,739	5,066,517	13,421,527
	- - -	12,888	29,182	6,435	4,530 40,514	12,106	57,044 567,843 333,718	780,824 4,756,442 2,441,262 17,297
	-	-	-	-	-	-	-	126,318
	-	12,888 12,888	29,182 15,141	6,435 1,178	45,044 42,006	12,106 2,301	958,605 177,098	8,122,143 2,765,550
	-	-	14,041	5,257	3,038	9,805	781,507	5,356,593
	-	-	-	-	-	-	-	-
	3,021	3,325	2,242	1,809	3,780	1,750	-	
	3,021	3,325	2,242	1,809	3,780	1,750	-	
\$	77,442 \$	147,757 \$	246,188 \$	429,391 \$	336,479 \$	1,166,294 \$	5,848,024 \$	18,778,120
\$	7,968 \$ 19,951 49,082	822 \$ 42,719 10,050	6,564 \$ 68,673 27,145	7,151 \$ 23,534 46,650	30,621 \$ 63,616 94,425	3,457 \$ 81,565 49,650	891,958 \$ 116,006 2,433,578	174,861 504,276
	-	-	-	-	-	-	-	4,145,042
	-	-	-	-	-	-	-	-
	77,001	53,591	102,382	77,335	188,662	134,672	3,441,542	4,824,179
	_	_	_	_	_	_	_	_
	-	-	-	-	-	-	-	372,208
	19,553	36,211 36,211	72,120	23,444	87,510 87,510	72,627	139,178 139,178	430,801 803,009
	96,554	89,802	174,502	100,779	276,172	207,299	3,580,720	5,627,188
	(22,006)	109,115	83,717	272,561	17,458	915,770	1,463,871	13,384,381
	2,894	(51,160)	(12,031)	56,051	42,849	43,225	764,941 38,492	(764,941) 531,492
	(19,112)	57,955	71,686	328,612	60,307	43,223 958,995	2,267,304	13,150,932
\$	77,442 \$	147,757 \$	246,188 \$	429,391 \$	336,479 \$	1,166,294 \$	5,848,024 \$	18,778,120
φ	11,442 \$	141,131 \$	240,100 \$	427,371 \$	<i>33</i> 0,479	1,100,294 \$	J,040,024 \$	10,770,120

Year ended December 31, 2006	Total	Arkansas	California, Northern	California, Southern	Colorado
Operating Revenues Contributions	\$ 11 206 216 \$	241515 ¢	004.059 \$	222 176 ¢	100 150
	\$ 11,296,216 \$	241,515 \$	904,958 \$	232,476 \$	100,150
Child support	27,606,227	-	56,000	-	878,374
Service fees	16,557,872	256,392	601,270	501,441	288,275
Investments and other	4,688,533	26,953	87,909	132,041	59,299
Total Operating Revenues	60,148,848	524,860	1,650,137	865,958	1,326,098
Operating Expenses					
Salaries	25,413,821	174,219	658,005	286,046	352,347
Employee benefits	4,171,022	24,164	81,259	48,518	54,618
Payroll taxes	1,892,738	13,057	49,767	21,544	26,601
Professional fees	1,765,456	6,720	20,655	12,037	36,817
Supplies	550,196	4,387	24,569	5,900	7,916
Telephone	667,150	9,212	13,868	9,614	18,003
Postage and shipping	631,432	6,062	16,303	10,297	8,753
Occupancy	2,904,254	27,899	92,586	80,997	56,635
Outside printing	676,877	6,341	13,310	8,234	6,144
Travel and transportation	2,016,627	11,879	41,312	19,186	35,709
Advertising	1,349,853	27,058	31,071	19,283	19,570
Special assistance	8,898,410	16,004	33,309	4,415	441,864
Overseas contributions	798,471	-	-	-	-
Miscellaneous	3,699,431	28,001	107,174	131,975	65,688
Depreciation	718,626	-	12,724	-	40
Support services	-	44,666	149,410	77,838	91,633
Total Operating Expenses	56,154,364	399,669	1,345,322	735,884	1,222,338
Change in Net Assets From					
Operating Activities	3,994,484	125,191	304,815	130,074	103,760
Nonoperating Expense	(2,033,041)	(14,425)	(50,243)	(22.967)	(27 000)
Effect of implementation of FASB Statement No. 158	(2,033,041)	(14,423)	(30,243)	(22,867)	(27,908)
Change in Net Assets	\$ 1,961,443 \$	110,766 \$	254,572 \$	107,207 \$	75,852

Consolidating Statement of Activities

				Iowa,	Iowa,
 Florida	Georgia	Illinois	Indiana	Northwest	South Central
\$ 52,347	\$ 265,132 \$	163,248 \$	141,893 \$	333,471 \$	172,950
-	5,416,256	726,381	679,807	91,680	126,757
258,326	810,317	313,445	835,253	288,143	847,531
 59,551	136,323	27,545	62,200	71,576	73,720
370,224	6,628,028	1,230,619	1,719,153	784,870	1,220,958
136,094	2,167,590	560,178	832,416	339,369	337,445
23,245	350,986	121,899	149,958	84,428	74,563
10,300	164,178	41,387	62,156	25,470	24,750
24,998	133,599	12,671	9,181	26,687	126,271
2,682	47,191	8,937	11,832	12,130	18,048
6,899	99,864	13,629	16,622	14,604	22,459
5,563	42,953	14,730	11,808	12,497	13,445
28,695	253,435	24,896	86,275	46,977	58,459
3,035	21,689	9,858	12,507	12,335	23,189
22,878	165,597	26,330	63,739	40,055	57,994
5,485	73,756	30,355	11,352	22,200	87,379
8,377	2,304,019	254,723	186,129	8,157	195,759
-	-	-	-	-	-
39,484	247,536	74,816	31,874	59,873	91,349
-	22,248	23,513	1,885	1,347	1,847
 40,794	574,412	139,684	169,852	91,721	130,223
 358,529	6,669,053	1,357,606	1,657,586	797,850	1,263,180
 11,695	(41,025)	(126,987)	61,567	(12,980)	(42,222)
 (10,563)	(176,496)	(45,832)	(62,457)	(25,120)	(27,437)
\$ 1,132	\$ (217,521) \$	(172,819) \$	(890) \$	(38,100) \$	(69,659)

Year ended December 31, 2006	Marylan	d	Michigan	Minnesota	Mississippi	Missouri
Operating Revenues						
	\$ 280,903	\$	2,604,743	\$ 93,232 \$	523,971 \$	126,710
Child support	10,234		15,112,065	73,903	-	- -
Service fees	372,955		2,776,035	377,681	234,834	321,204
Investments and other	57,218		825,317	28,125	70,687	32,703
Total Operating Revenues	721,310		21,318,160	572,941	829,492	480,617
Operating Expenses						
Salaries	298,051		8,732,405	266,406	297,980	207,065
Employee benefits	28,683		1,427,836	37,820	55,886	38,815
Payroll taxes	22,628		650,250	20,026	22,063	15,520
Professional fees	14,798		401,371	15,369	27,674	6,945
Supplies	2,872		179,013	4,658	3,012	3,939
Telephone	7,123		117,648	4,822	12,282	8,384
Postage and shipping	7,301		83,189	9,429	10,420	7,233
Occupancy	54,508		715,139	72,832	36,304	37,285
Outside printing	7,215		110,882	6,276	13,011	6,877
Travel and transportation	15,586		622,570	17,224	15,448	15,866
Advertising	46,251		170,023	16,870	9,901	17,840
Special assistance	14,072		3,906,733	13,222	39,410	8,008
Overseas contributions	-		-	-	-	-
Miscellaneous	82,733		629,051	16,249	47,317	39,631
Depreciation	-		253,876	-	138	-
Support services	67,635		1,676,736	63,200	72,015	51,103
Total Operating Expenses	669,456		19,676,722	564,403	662,861	464,511
Change in Net Assets From						
Operating Activities	51,854		1,641,438	8,538	166,631	16,106
Nonoperating Expense						
Effect of implementation of FASB Statement No. 158	(23,785)	(696,769)	(22,303)	(23,353)	(16,854)
Change in Net Assets	\$ 28,069	\$	944,669	\$ (13,765) \$	143,278 \$	(748)

Consolidating Statement of Activities

New EnglandNew JerseyNorth CarolinaPennsylvania, CentralPennsylvania, GDV\$232,249\$185,205\$143,081\$192,313\$ $517,791$ 37,7296,750358,637413,4982,103,022288,610420,688384,437214,377394,23232,67949,91264,86838,638124,033 $591,267$ 662,555951,023858,8263,139,078208,260360,424272,596446,2611,110,48324,28247,44146,20972,387181,81415,61327,07320,57633,25183,077110,4936,97342,3089,15045,0755,2007,5264,8029,60719,73711,0116,42014,8697,84327,8356,80510,3949,5938,59829,00045,35661,72249,10646,584165,2708,6419,6188,1458,87020,46422,26820,36723,81925,13667,54016,31419,68246,95919,40174,39719,43431,650284,881100,208627,85617,87323,00676,18935,542131,371-1,7496411,2856,22263,80778,32181,79192,888252,160	
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Pennsylvania,
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	Western
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	\$ 131,869
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	168,022
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	242,122
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	10,965
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	552,978
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	203,730
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	36,552
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	15,334
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	22,122
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	7,246
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	8,349
8,641 9,618 8,145 8,870 20,464 22,268 20,367 23,819 25,136 67,540 16,314 19,682 46,959 19,401 74,397 19,434 31,650 284,881 100,208 627,856 17,873 23,006 76,189 35,542 131,371 1,749 641 1,285 6,222	9,997
22,268 20,367 23,819 25,136 67,540 16,314 19,682 46,959 19,401 74,397 19,434 31,650 284,881 100,208 627,856 17,873 23,006 76,189 35,542 131,371 - 1,749 641 1,285 6,222	33,113
16,314 19,682 46,959 19,401 74,397 19,434 31,650 284,881 100,208 627,856 - - - - - 17,873 23,006 76,189 35,542 131,371 - 1,749 641 1,285 6,222	9,289
19,434 31,650 284,881 100,208 627,856 17,873 23,006 76,189 35,542 131,371 - 1,749 641 1,285 6,222	21,711
17,873 23,006 76,189 35,542 131,371 - 1,749 641 1,285 6,222	21,287
- 1,749 641 1,285 6,222	29,295
- 1,749 641 1,285 6,222	-
	19,408
63,807 78,321 81,791 92,888 252,160	1,106
	52,578
575,357 712,366 982,484 917,011 2,842,301	491,117
15,910 (49,811) (31,461) (58,185) 296,777	61,861
(17,035) (29,112) (22,038) (35,565) (88,665)	(15,841)
\$ (1,125) \$ (78,923) \$ (53,499) \$ (93,750) \$ 208,112	\$ 46,020

Year ended December 31, 2006	South Carolina	So	outh Dakota, Eastern	Sc	outh Dakota, Western	Tennessee, Chattanooga	Tennessee, Eastern
Tear ended December 51, 2000	Carolilla		Eastern		western	Chattanooga	Eastern
Operating Revenues							
Contributions	\$ 415,561	\$	23,768	\$	57,302	\$ 193,494	\$ 143,937
Child support	30,530		10,552		-	-	(250)
Service fees	431,087		59,950		125,441	164,552	204,376
Investments and other	44,756		40,750		33,848	47,559	28,920
Total Operating Revenues	921,934		135,020		216,591	405,605	376,983
Operating Expenses							
Salaries	361,733		57,426		77,690	156,646	166,672
Employee benefits	54,794		6,507		12,852	29,828	15,887
Payroll taxes	26,257		3,442		5,847	11,803	13,372
Professional fees	21,211		2,847		8,652	7,656	7,021
Supplies	9,225		2,795		2,268	5,467	4,929
Telephone	18,580		1,866		4,544	5,902	6,726
Postage and shipping	13,129		2,545		4,323	5,770	4,247
Occupancy	73,019		9,745		12,338	29,059	32,338
Outside printing	13,908		2,963		4,212	5,538	3,372
Travel and transportation	24,381		8,065		8,322	6,669	11,917
Advertising	28,061		3,779		10,503	28,969	18,757
Special assistance	29,886		2,108		4,824	5,426	5,438
Overseas contributions	-		-		-	-	-
Miscellaneous	48,895		14,520		8,682	39,295	10,159
Depreciation	-		-		-	851	-
Support services	87,342		20,320		20,608	42,158	38,958
Total Operating Expenses	810,421		138,928		185,665	381,037	339,793
Change in Net Assets From							
Operating Activities	111,513		(3,908)		30,926	24,568	37,190
Nonoperating Expense							
Effect of implementation of FASB Statement No. 158	(29,122)		(8,857)		(5,365)	(12,175)	(14,017)
Change in Net Assets	\$ 82,391	\$	(12,765)	\$	25,561	\$ 12,393	\$ 23,173

Consolidating Statement of Activities

	Tennessee, Middle	Tennessee, Mid-South	Virginia, Fairfax	Virginia, Hampton Roads	Washington	Wisconsin	International	Corporate
\$	153,300 \$	321,820 \$	384,178 \$	93,222 \$	404,809 \$	255,058 \$	1,046,772 \$	162,788
φ	893	16,670	210,085	93,222 ¢	415,990	233,038 \$ 381,147	1,040,772 \$	281,495
	325,278	237,539	712,154	224,607	663,837	644,827	1,741,658	(5,002)
	19,630	23,686	53,642	90,579	166,820	115,537	432,565	1,517,979
	499,101	599,715	1,360,059	408,408	1,651,456	1,396,569	3,220,995	1,957,260
	499,101	599,715	1,360,039	408,408	1,001,400	1,390,309	3,220,995	1,957,200
	190,778	303,523	637,568	166,948	548,572	683,999	808,708	2 006 199
	24,607	505,525 70,772	73,398	20,174	91,557	72,931	808,708 168,111	3,006,188 518,241
	24,607 14,496	22,556	48,368	20,174	40,892	,	57,913	219,227
	,	,	,	,	,	51,301	,	,
	29,706	6,529	87,293	10,624	65,516	58,716	60,559	287,212
	3,469	4,878	14,836	2,591	17,133	17,073	24,484	49,844
	7,090	8,683	23,755	4,127	23,142	14,175	20,176	77,024
	7,501	7,939	16,127	4,962	18,588	19,824	102,435	89,672
	44,670	45,623	113,934	27,020	100,843	54,447	44,904	242,241
	6,870	6,434	12,664	4,099	14,672	15,845	35,756	224,614
	16,759	20,162	36,182	6,634	53,612	49,035	192,437	230,238
	42,597	14,026	31,706	24,410	75,038	70,022	9,092	206,459
	11,184	16,968	16,977	2,472	237,691	5,838	31,922	151
	-	-	-	-	-	-	798,471	-
	28,006	28,040	52,396	13,162	120,390	37,947	395,527	906,272
	-	752	5,562	156	1,493	1,664	49,701	329,826
	52,916	69,983	149,518	38,467	151,732	146,088	320,445	(5,201,002)
	480,649	626,868	1,320,284	338,489	1,560,871	1,298,905	3,120,641	1,186,207
	18,452	(27,153)	39,775	69,919	90,585	97,664	100,354	771,053
	(15,558)	(24,007)	(51,806)	(13,868)	(47,736)	(54,439)	(61,862)	(239,561)
\$	2,894 \$	(51,160) \$	(12,031) \$	56,051 \$	42,849 \$	43,225 \$	38,492 \$	531,492