

# *Bethany*

CHRISTIAN SERVICES

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

Years Ended December 31, 2005 and 2004



BDO Seidman, LLP  
Accountants and Consultants

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

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**Consolidated Financial Statements  
(and supplemental material)**  
Years Ended December 31, 2005 and 2004

# **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 statements of financial position of Bethany Christian Services and subsidiaries (a not-for-profit corporation) as of December 31, 2005, 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 2004 consolidated financial statements and, in our report dated February 24, 2005, 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, 2005, 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 February 28, 2006, 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  
February 24, 2006

# **Consolidated Financial Statements**



<i>December 31,</i>	Current Operating	Temporarily Restricted
<b>Assets</b>		
Cash and cash equivalents	\$ 4,751,460	\$ -
Investments (Note 3)	23,424,791	-
Accounts receivable, net of allowance for doubtful accounts of \$55,188 and \$63,320 for 2005 and 2004, respectively	6,625,621	-
Campaign pledges receivable (Note 4)	26,086	889,062
Prepaid expenses	537,662	-
Due from other funds	-	4,856,632
<b>Total current assets</b>	<b>35,365,620</b>	<b>5,745,694</b>
Property and equipment		
Land and land improvements	1,272,113	-
Buildings and improvements	11,273,249	-
Furniture and equipment	4,003,020	-
Vehicles	79,623	-
Construction in progress (estimated cost to complete of \$2,809,000)	322,703	37,401
	16,950,708	37,401
Less accumulated depreciation	6,682,241	-
<b>Net property and equipment</b>	<b>10,268,467</b>	<b>37,401</b>
Other assets		
Intangible asset from pension plan (Note 9)	271,330	-
Campaign pledges receivable, less current portion (Note 4)	22,108	398,523
Investment in unconsolidated affiliate (Note 13)	793,591	-
Deposits	84,839	-
<b>Total other assets</b>	<b>1,171,868</b>	<b>398,523</b>
<b>Total Assets</b>	<b>\$46,805,955</b>	<b>\$ 6,181,618</b>

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

## Consolidated Statements of Financial Position

Permanently Restricted	Totals	
	2005	2004
\$ -	\$ 4,751,460	\$ 4,226,745
96,684	23,521,475	23,136,036
-	6,625,621	5,622,743
-	915,148	1,984,379
-	537,662	218,152
-	4,856,632	2,233,107
96,684	41,207,998	37,421,162
-	1,272,113	803,215
-	11,273,249	7,980,470
-	4,003,020	3,369,490
-	79,623	86,233
-	360,104	699,897
-	16,988,109	12,939,305
-	6,682,241	6,108,263
-	10,305,868	6,831,042
-	271,330	352,730
-	420,631	599,334
-	793,591	-
-	84,839	92,743
-	1,570,391	1,044,807
\$96,684	\$53,084,257	\$45,297,011

<i>December 31,</i>	Current Operating	Temporarily Restricted
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,149,145	\$ -
Employee compensation and benefits	3,141,297	-
Deferred adoption fees (Note 6)	3,144,083	-
Due to other funds	4,856,632	-
Current maturities of long-term notes payable (Note 8)	62,021	-
Total current liabilities	13,353,178	-
Long-term liabilities:		
Long-term notes payable, less current maturities (Note 8)	719,081	-
Annuities payable (Note 7)	560,293	-
Additional minimum pension liability (Note 9)	3,024,431	-
Total long-term liabilities	4,303,805	-
<b>Total Liabilities</b>	17,656,983	-
<b>Commitments and Contingencies (Notes 5, 9, 10, 11 and 12)</b>		
<b>Net Assets</b>		
Unrestricted:		
Undesignated	18,342,726	-
Board designated - Children's Fund	10,802,844	-
Gifts for Bethany	3,402	-
Temporarily restricted:		
Building Fund	-	6,181,618
Permanently restricted	-	-
<b>Total Net Assets</b>	29,148,972	6,181,618
<b>Total Liabilities and Net Assets</b>	\$46,805,955	\$ 6,181,618



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

## Consolidated Statements of Financial Position

Permanently Restricted	Totals	
	2005	2004
\$ -	\$ 2,149,145	\$ 1,970,936
-	3,141,297	2,339,943
-	3,144,083	2,544,345
-	4,856,632	2,233,107
-	62,021	27,883
-	13,353,178	9,116,214
-	719,081	226,130
-	560,293	582,293
-	3,024,431	2,632,179
-	4,303,805	3,440,602
-	17,656,983	12,556,816
-	18,342,726	18,295,445
-	10,802,844	9,446,463
-	3,402	4,722
-	6,181,618	4,912,854
96,684	96,684	80,711
96,684	35,427,274	32,740,195
\$96,684	\$53,084,257	\$45,297,011

*See accompanying notes to consolidated financial statements.*

<i>Year ended December 31,</i>	Current Operating	Temporarily Restricted
<b>Revenues and Other Support</b>		
Contributions:		
Individual	\$ 4,775,571	\$ 1,075,381
Churches and affiliated organizations	1,397,557	-
Business and foundations	2,649,622	191,583
Other	387,559	-
Child support	28,196,104	-
Service fees	16,547,282	-
Investment income	1,037,522	-
Realized gain on investments	514,593	-
Unrealized gain (loss) on investments	(851,258)	-
Miscellaneous income	1,345,368	1,800
<b>Total Revenues and Other Support</b>	<b>55,999,920</b>	<b>1,268,764</b>

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

## Consolidated Statements of Activities

Permanently Restricted	Totals	
	2005	2004
\$ -	\$ 5,850,952	\$ 4,587,664
-	1,397,557	1,355,666
15,080	2,856,285	3,320,644
-	387,559	315,829
-	28,196,104	26,670,784
-	16,547,282	15,109,547
893	1,038,415	860,124
-	514,593	266,815
-	(851,258)	339,864
-	1,347,168	1,157,900
15,973	57,284,657	53,984,837

<i>Year ended December 31,</i>	Current Operating	Temporarily Restricted
<b>Expenses</b>		
Program services:		
Michigan:		
Residential:		
Social services	\$ 537,496	\$ -
Maintenance	1,649,003	-
Foster care:		
Social services	2,085,620	-
Maintenance	2,341,229	-
State adoptions	2,874,500	-
Refugee	1,760,635	-
Other programs	5,883,498	-
Adoptions, foster care and other programs outside of Michigan	29,235,009	-
Foster care:		
Illinois	905,659	-
Philadelphia	1,513,653	-
Total program services	48,786,302	-
Management and general	3,824,958	-
Fund raising	1,986,318	-
<b>Total Expenses</b>	54,597,578	-
<b>Changes in Net Assets</b>	\$ 1,402,342	\$ 1,268,764

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

## Consolidated Statements of Activities

Permanently Restricted	Totals	
	2005	2004
\$ -	\$ 537,496	\$ 546,495
-	1,649,003	1,679,291
-	2,085,620	2,044,887
-	2,341,229	2,411,024
-	2,874,500	2,885,696
-	1,760,635	1,867,517
-	5,883,498	5,621,704
-	29,235,009	26,146,427
-	905,659	911,220
-	1,513,653	1,848,103
-	48,786,302	45,962,364
-	3,824,958	3,843,510
-	1,986,318	1,678,794
-	54,597,578	51,484,668
\$ 15,973	\$ 2,687,079	\$ 2,500,169

*See accompanying notes to consolidated financial statements.*

<i>Year ended December 31, 2005</i>	Michigan				
	Residential		Foster Care		State Adoptions
	Social Services	Maintenance	Social Services	Maintenance	
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
<b>Total Expenses</b>	<b>\$ 537,496</b>	<b>\$ 1,649,003</b>	<b>\$ 2,085,620</b>	<b>\$ 2,341,229</b>	<b>\$ 2,874,500</b>

# 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		Management and General	Fund Raising	Total
				Illinois	Philadelphia			
\$	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

*See accompanying notes to consolidated financial statements.*

<i>Year ended December 31, 2004</i>	Michigan				
	Residential		Foster Care		State Adoptions
	Social Services	Maintenance	Social Services	Maintenance	
Salaries	\$ 347,442	\$ 988,872	\$ 1,229,308	\$ -	\$ 1,672,113
Employee benefits	99,837	284,153	357,362	-	452,770
Payroll taxes	24,831	70,673	94,776	-	120,320
Professional fees	5,237	14,906	20,190	-	35,589
Supplies	7,655	21,787	12,102	-	34,709
Telephone	4,212	11,987	20,973	-	53,309
Postage and shipping	250	712	9,202	-	24,835
Occupancy	21,322	60,687	88,576	-	177,086
Outside printing	583	1,660	3,238	-	15,574
Travel and transportation	7,450	21,204	126,268	-	118,302
Advertising	345	981	9,024	-	88,994
Special assistance	-	123,883	-	2,411,024	5,847
Overseas contributions	-	-	-	-	-
Miscellaneous	5,391	15,341	35,173	-	71,223
Depreciation	21,940	62,445	38,695	-	15,025
<b>Total Expenses</b>	<b>\$ 546,495</b>	<b>\$ 1,679,291</b>	<b>\$ 2,044,887</b>	<b>\$ 2,411,024</b>	<b>\$ 2,885,696</b>



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

## Consolidated Statements of Functional Expenses

		Adoptions, Foster Care and Other Programs Outside of Michigan	Foster Care		Management and General	Fund Raising	Total
Refugee	Other Programs		Illinois	Philadelphia			
\$ 393,863	\$ 2,796,620	\$ 11,185,581	\$ 333,065	\$ 656,579	\$ 1,690,495	\$ 541,914	\$ 21,835,852
124,232	857,729	2,879,472	115,386	166,635	460,149	112,377	5,910,102
27,539	216,992	834,120	21,396	50,283	119,827	47,191	1,627,948
47,163	178,540	867,902	6,472	5,276	258,369	86,333	1,525,977
3,948	68,097	268,706	4,178	8,010	27,251	13,799	470,242
3,819	41,075	494,136	11,125	15,047	118,337	10,854	784,874
4,292	11,791	376,354	7,691	6,955	95,908	40,239	578,229
12,437	230,448	1,583,670	38,055	89,017	127,980	37,854	2,467,132
1,914	46,103	448,583	174	3,249	61,952	81,013	664,043
69,579	189,604	752,851	11,395	23,871	71,977	40,221	1,432,722
6,894	49,588	1,088,893	427	4,219	59,254	9,651	1,318,270
1,142,303	700,773	3,621,629	342,648	792,237	380	-	9,140,724
-	-	578,126	-	-	-	-	578,126
25,180	150,401	1,098,518	15,643	23,266	515,345	650,320	2,605,801
4,354	83,943	67,886	3,565	3,459	236,286	7,028	544,626
\$ 1,867,517	\$ 5,621,704	\$ 26,146,427	\$ 911,220	\$ 1,848,103	\$ 3,843,510	\$ 1,678,794	\$ 51,484,668

*See accompanying notes to consolidated financial statements.*

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

## Consolidated Statements of Changes in Net Assets

	Current Operating	Temporarily Restricted	Permanently Restricted	Total
<b>Balance, January 1, 2004</b>	\$ 26,821,245	\$ 3,357,743	\$ 61,038	\$ 30,240,026
<b>Changes in Net Assets</b>				
Unrestricted	925,385	-	-	925,385
Temporarily restricted	-	1,555,111	-	1,555,111
Permanently restricted	-	-	19,673	19,673
<b>Total changes in net assets</b>	925,385	1,555,111	19,673	2,500,169
<b>Balance, December 31, 2004</b>	27,746,630	4,912,854	80,711	32,740,195
<b>Changes in Net Assets</b>				
Unrestricted	1,402,342	-	-	1,402,342
Temporarily restricted	-	1,268,764	-	1,268,764
Permanently restricted	-	-	15,973	15,973
<b>Total changes in net assets</b>	1,402,342	1,268,764	15,973	2,687,079
<b>Balance, December 31, 2005</b>	\$ 29,148,972	\$ 6,181,618	\$ 96,684	\$ 35,427,274

*See accompanying notes to consolidated financial statements.*

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

## Consolidated Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2005</b>	<b>2004</b>
<b>Operating Activities</b>		
Changes in net assets	\$ 2,687,079	\$ 2,500,169
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	599,918	544,626
Amortization of intangible asset from pension plan	81,400	81,400
Unrealized loss (gain) on investments	851,258	(339,864)
Gain from sale of investments	(514,593)	(266,815)
Loss (gain) on disposal of equipment	5,469	(5,905)
Earnings in unconsolidated investment	(11,531)	-
Net present value adjustment of annuities payable	22,000	8,088
Changes in assets and liabilities:		
Accounts receivable	(1,002,878)	(1,048,415)
Prepaid expense	(319,510)	(10,529)
Deposits	7,904	1,585
Accounts payable and accrued expenses	178,209	605,625
Employee compensation and benefits	801,354	374,451
Deferred adoption fees	599,738	489,502
Additional minimum pension liability	392,252	1,212,388
<b>Net Cash From Operating Activities</b>	<b>4,378,069</b>	<b>4,146,306</b>
<b>Investing Activities</b>		
Additions to property and equipment	(4,080,213)	(802,824)
Proceeds from sale of property and equipment	-	86,692
Purchase of investments	(6,035,765)	(8,156,205)
Proceeds from sale of investments	5,313,661	4,345,733
Investments in unconsolidated affiliate	(802,060)	-
Distributions from unconsolidated affiliate	20,000	-
<b>Net Cash for Investing Activities</b>	<b>(5,584,377)</b>	<b>(4,526,604)</b>

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

## Consolidated Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2005</b>	<b>2004</b>
<b>Financing Activities</b>		
Decrease in campaign pledges receivable	\$ 1,247,934	\$ 281,047
Decrease in annuities payable	(44,000)	(6,846)
Proceeds from issuance of long-term debt	575,000	-
Principal payments on long-term debt	(47,911)	(25,657)
<b>Net Cash From Financing Activities</b>	<b>1,731,023</b>	<b>248,544</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>524,715</b>	<b>(131,754)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>4,226,745</b>	<b>4,358,499</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 4,751,460</b>	<b>\$ 4,226,745</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 134,030	\$ 60,123

*See accompanying notes to consolidated financial statements.*

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

## **Notes to Consolidated Financial Statements**

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### **1. Organization**

Bethany Christian Services, its subsidiaries and affiliate (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. 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 50% and 51% of operating revenue in 2005 and 2004, 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, its subsidiaries and affiliate. 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, 2004, 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

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

## **Notes to Consolidated Financial Statements**

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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.

### ***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 \$1,486,231 and \$1,318,270 in 2005 and 2004, 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. Depreciation is computed by the straight-line method based on the estimated

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

## **Notes to Consolidated Financial Statements**

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useful lives of the related assets (3 to 40 years). Expenses for maintenance and repairs are charged to expense as incurred.

### ***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 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, 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

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

## **Notes to Consolidated Financial Statements**

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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.

- 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, 2005 and 2004, contributed services and materials amounted to \$348,337 and \$282,474, respectively.

### ***Reclassifications***

Certain amounts have been reclassified in 2004 to conform to the 2005 presentation. The reclassifications had no effect on total net assets.



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

## Notes to Consolidated Financial Statements

### 3. Investments

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

<i>December 31,</i>	<b>2005</b>	2004
Stocks	\$ 13,940,595	\$ 12,357,496
Bonds and notes	7,165,400	6,994,042
Mutual funds	399,773	502,963
Annuities	2,015,707	3,281,535
	<b>\$ 23,521,475</b>	<b>\$ 23,136,036</b>

### 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 6% in 2005 and 4% in 2004.

Unconditional promises to give consists of the following:

<i>December 31,</i>	<b>2005</b>	2004
Receivable due in less than one year	\$ 915,148	\$ 1,984,379
Receivable due in one to four years	435,429	625,780
Gross unconditional promises to give	1,350,577	2,610,159
Less: discounts to net present value	14,798	26,446
<b>Net Unconditional Promises to Give</b>	<b>\$ 1,335,779</b>	<b>\$ 2,583,713</b>

### 5. Line of Credit

The Organization has a line of credit agreement which permits borrowings up to \$1,500,000 and bears interest at 3/4% below the

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

## **Notes to Consolidated Financial Statements**

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prime rate, effectively 6.5% and 4.5% at December 31, 2005 and 2004, respectively. At December 31, 2005 and 2004, there were no amounts outstanding under the line of credit agreement.

### **6. Deferred Adoption Fees**

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.

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.

### **7. Annuities Payable**

Donors may transfer assets to the Organization in exchange for the right to receive a predetermined return during their lifetime (an annuity). A portion of the transfer is considered to be a charitable contribution for income tax purposes. Upon receipt of the transfer, the Organization records a liability for the annuity payable at the present value of future payments based on life expectancy and current interest rates. The difference between the liability recognized for the annuity and the amount of the transfer is recognized as unrestricted contribution income at the date of the gift unless the gift portion is restricted. Annuity payments are charged against the liability, which at the end of each fiscal year is adjusted to the present value of future payments based on life expectancy and the applicable discount rate as published by the Internal Revenue Service. Discount rates of 4.8% and 4.6% per annum were used in 2005 and 2004, respectively. The resulting adjustments of \$22,000 and \$8,088 were made to investment income in the statements of activities for the years ended December 31, 2005 and 2004, respectively.

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

## Notes to Consolidated Financial Statements

### 8. Notes Payable

Long-term debt consists of a \$226,128 note payable 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 \$554,974 note payable to a company with payments due in monthly installments ranging from \$6,000 to \$6,849, including interest, with a final balloon payment due May 1, 2010; at that time the Organization will initiate a sale/lease back transaction. Interest accrues at 8.0%.

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

Year ending December 31,

2006	\$ 62,021
2007	102,380
2008	78,671
2009	86,997
2010	405,094
Thereafter	45,939
	<hr/>
	\$ 781,102

### 9. Employee Benefit Plan

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.

The benefit obligations exceed the value of the plan assets at December 31, 2005 and 2004. This is due, in part, to a decline in the fair market value of the plan assets. The discount rate used in determining the net periodic benefit cost also decreased in 2005, causing an increase in the benefit obligations as determined by the Organization's actuary.

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

## Notes to Consolidated Financial Statements

As a result of the under-funded benefit obligations, the Organization recorded an additional minimum liability, an intangible asset due to unrecognized prior service cost, and a provision for the minimum pension liability which is included in employee benefits expense.

Financial information regarding the Plan is as follows:

<i>December 31,</i>	<b>2005</b>	<b>2004</b>
<b>Obligation and Funded Status</b>		
Benefit obligation	\$ (15,511,639)	\$ (13,802,218)
Plan assets at fair value	9,905,669	9,165,284
<b>Underfunded Status</b>	<b>\$ (5,605,970)</b>	<b>\$ (4,636,934)</b>

The accumulated benefit obligation was \$13,727,482 and \$12,072,338 at the measurement dates of December 31, 2005 and 2004, respectively.

<i>Year ended December 31,</i>	<b>2005</b>	<b>2004</b>
<b>Additional Information</b>		
Employer contributions	\$ 1,061,374	\$ 674,845
Benefits paid	282,188	278,686
Benefit cost	1,583,881	1,204,548
Accrued benefit cost recognized	(797,382)	(274,875)

	<b>2005</b>	<b>2004</b>
<b>Assumptions</b>		
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	6.0%	6.5%
Expected return on plan assets	8.0%	8.5%
Rate of compensation increase	3.5%	3.5%
Weighted-average assumptions used to determine benefit obligation at December 31:		
Discount rate	6.0%	6.0%
Rate of compensation increase	3.5%	3.5%

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

## Notes to Consolidated Financial Statements

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:

<i>Year ended December 31,</i>	<b>2005</b>	<b>2004</b>
Common stocks	\$ 3,452,930	\$ 4,775,440
Corporate bonds	2,536,725	2,130,372
U.S. government securities	671,141	498,372
Money market fund	315,019	728,894
Mutual funds	2,963,010	986,983
Other assets	-	45,223
<b>Total</b>	<b>\$ 9,938,825</b>	<b>\$ 9,165,284</b>

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

<i>Year ending December 31,</i>	
Short term	0% - 40%
Fixed income	30% - 60%
Common stocks	30% - 70%

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

## Notes to Consolidated Financial Statements

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### *Cash Flows*

The Organization expects to contribute \$1,012,000 to the Plan in 2005. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

#### Year ending December 31,

2006	\$ 367,000
2007	422,000
2008	665,000
2009	774,000
2010	824,000
Years 2011-2015	5,613,000

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### **10. Lease Commitments**

The Organization leases office space and automobiles under noncancelable operating leases. Minimum rental commitments as of December 31, 2005, for these leases were as follows:

#### Year ending December 31,

2006	\$1,638,289
2007	1,119,800
2008	818,167
2009	458,302
2010	269,234
	<hr/>
	\$4,303,792

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Total rent expense was \$1,693,456 and \$1,657,525 for 2005 and 2004, respectively.

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

The Organization is subject to several legal proceedings arising in connection with the operation of its business. The amount of any liability which might exist cannot reasonably be estimated and a provision for loss has not been made in the accompanying consolidated financial statements. It is management's opinion that

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

## **Notes to Consolidated Financial Statements**

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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 2005 and 2004 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 \$2,036,965 and \$958,509 at December 31, 2005 and 2004, respectively. Although management does not anticipate incurring material losses on these guarantees, a provision for possible losses was approximately \$40,000 and \$20,000 at December 31, 2005 and 2004, respectively.

### **12. Related Party Transactions**

During 2004, the Organization awarded a construction project for a building addition in the amount of approximately \$1,975,000 to a Board member's company and paid approximately \$259,000 in construction costs during the year. The board member completed his term at the end of 2004 and, accordingly, there was not a related party transaction in connection with this construction project during 2005.

### **13. 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 \$11,531 and a distribution of \$20,000 for the year ended December 31, 2005.

## Supplemental Material







**BDO Seidman, LLP**  
Accountants and Consultants

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Telephone: (616) 774-7000  
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## **Independent Auditors' Report on Supplemental Material**

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

*BDO Seidman, LLP*

Grand Rapids, Michigan  
February 24, 2006

December 31, 2005

	Total	Arkansas	California, Northern	California, Southern	Colorado
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 4,751,460	\$ 850	\$ 9,989	\$ (20,441)	\$ 17,608
Investments	23,521,475	210,404	919,681	-	466,284
Accounts receivable, net	6,625,621	6,580	235,482	26,661	169,877
Campaign pledges receivable, net	915,148	-	84,244	-	-
Prepaid expenses	537,662	2,446	1,753	5,998	4,129
Due from other funds	4,856,632	-	916,653	-	-
<b>Total current assets</b>	<b>41,207,998</b>	<b>220,280</b>	<b>2,167,802</b>	<b>12,218</b>	<b>657,898</b>
<b>Property and equipment</b>					
Land and land improvements	1,272,113	-	43,667	-	-
Buildings and improvements	11,273,249	-	353,433	-	1,750
Furniture and equipment	4,003,020	5,787	55,340	5,182	6,415
Vehicles	79,623	-	19,000	-	-
Construction in progress	360,104	-	17,401	-	-
	16,988,109	5,787	488,841	5,182	8,165
Less accumulated depreciation	(6,682,241)	(5,787)	(255,455)	(5,182)	(6,883)
<b>Net property and equipment</b>	<b>10,305,868</b>	<b>-</b>	<b>233,386</b>	<b>-</b>	<b>1,282</b>
<b>Other assets</b>					
Intangible asset from pension plan	271,330	1,980	5,644	3,678	3,884
Campaign pledges receivable, net	420,631	-	18,184	-	-
Investment in unconsolidated affiliate	793,591	-	-	-	-
Deposits	84,839	-	2,000	5,371	1,600
<b>Total other assets</b>	<b>1,570,391</b>	<b>1,980</b>	<b>25,828</b>	<b>9,049</b>	<b>5,484</b>
<b>Total Assets</b>	<b>\$ 53,084,257</b>	<b>\$ 222,260</b>	<b>\$ 2,427,016</b>	<b>\$ 21,267</b>	<b>\$ 664,664</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 2,149,145	\$ 8,670	\$ 7,239	\$ 7,228	\$ 52,794
Employee compensation and benefits	3,141,297	23,078	63,578	37,379	48,255
Deferred adoption fees	3,144,083	1,800	86,650	19,800	14,900
Due to other funds	4,856,632	-	916,653	-	-
Current maturities of long-term notes payable	62,021	-	-	-	-
<b>Total current liabilities</b>	<b>13,353,178</b>	<b>33,548</b>	<b>1,074,120</b>	<b>64,407</b>	<b>115,949</b>
<b>Long-term liabilities:</b>					
Long-term notes payable, less current maturities	719,081	-	-	-	-
Annuities payable	560,293	-	-	-	-
Additional minimum pension liability	3,024,431	24,241	62,069	51,973	51,036
<b>Total long-term liabilities</b>	<b>4,303,805</b>	<b>24,241</b>	<b>62,069</b>	<b>51,973</b>	<b>51,036</b>
<b>Total Liabilities</b>	<b>17,656,983</b>	<b>57,789</b>	<b>1,136,189</b>	<b>116,380</b>	<b>166,985</b>
<b>Net Assets, beginning of year</b>	<b>32,740,195</b>	<b>164,620</b>	<b>647,902</b>	<b>(200,006)</b>	<b>240,732</b>
<b>Change in net assets</b>	<b>2,687,079</b>	<b>(149)</b>	<b>642,925</b>	<b>104,893</b>	<b>256,947</b>
<b>Net Assets, end of year</b>	<b>35,427,274</b>	<b>164,471</b>	<b>1,290,827</b>	<b>(95,113)</b>	<b>497,679</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 53,084,257</b>	<b>\$ 222,260</b>	<b>\$ 2,427,016</b>	<b>\$ 21,267</b>	<b>\$ 664,664</b>

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

## Consolidating Statement of Financial Position

	Florida	Georgia	Illinois	Indiana	Iowa, Northwest	Iowa, South Central
\$	2,787	\$ 26,730	\$ 11,487	\$ 21,089	\$ 25,237	\$ 12,085
	20,167	1,756,096	111,241	614,904	293,528	614,528
	30,531	1,064,430	57,418	192,112	127,991	123,664
	-	-	-	-	-	-
	1,914	12,281	-	5,739	4,840	3,337
	-	97,000	-	-	-	-
	55,399	2,956,537	180,146	833,844	451,596	753,614
	-	-	81,000	-	-	-
	-	-	534,000	-	-	-
	-	27,024	97,722	11,308	6,019	15,375
	-	-	-	-	-	-
	-	93,950	-	-	-	-
	-	120,974	712,722	11,308	6,019	15,375
	-	(5,928)	(64,249)	(157)	(652)	(6,228)
	-	115,046	648,473	11,151	5,367	9,147
	1,558	19,893	8,483	6,830	4,805	3,185
	-	-	-	-	-	-
	-	793,591	-	-	-	-
	1,785	1,090	-	-	1,833	2,000
	3,343	814,574	8,483	6,830	6,638	5,185
\$	58,742	\$ 3,886,157	\$ 837,102	\$ 851,825	\$ 463,601	\$ 767,946
\$	(767)	\$ 201,361	\$ 20,072	\$ 1,323	\$ 5,247	\$ 16,983
	16,701	214,289	83,363	79,091	63,295	41,341
	4,200	20,150	27,850	6,900	12,900	19,947
	-	-	-	-	-	-
	-	-	31,718	-	-	-
	20,134	435,800	163,003	87,314	81,440	78,271
	-	-	523,254	-	-	-
	-	-	-	-	-	-
	12,904	150,167	85,486	66,740	54,089	29,467
	12,904	150,167	608,740	66,740	54,089	29,467
	33,038	585,967	771,743	154,054	135,529	107,738
	(35,733)	2,888,031	103,474	608,369	358,981	528,119
	61,437	412,159	(38,115)	89,402	(30,909)	132,089
	25,704	3,300,190	65,359	697,771	328,072	660,208
\$	58,742	\$ 3,886,157	\$ 837,102	\$ 851,825	\$ 463,601	\$ 767,946

<i>December 31, 2005</i>	Maryland	Michigan	Minnesota	Mississippi	Missouri
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 7,788	\$ 251,949	\$ 7,966	\$ 10,618	\$ 1,540
Investments	451,149	4,916,967	234,173	680,380	152,492
Accounts receivable, net	35,566	2,383,904	90,410	13,061	70,644
Campaign pledges receivable, net	-	366,667	-	-	-
Prepaid expenses	3,772	21,770	5,651	2,434	2,792
Due from other funds	-	-	-	-	-
<b>Total current assets</b>	<b>498,275</b>	<b>7,941,257</b>	<b>338,200</b>	<b>706,493</b>	<b>227,468</b>
Property and equipment					
Land and land improvements	-	483,304	-	-	-
Buildings and improvements	-	5,423,157	-	-	-
Furniture and equipment	-	1,144,718	-	8,156	-
Vehicles	-	60,623	-	-	-
Construction in progress	-	100,067	-	-	-
	-	7,211,869	-	8,156	-
Less accumulated depreciation	-	(3,735,907)	-	(8,018)	-
<b>Net property and equipment</b>	<b>-</b>	<b>3,475,962</b>	<b>-</b>	<b>138</b>	<b>-</b>
Other assets					
Intangible asset from pension plan	3,444	98,043	2,786	3,040	2,227
Campaign pledges receivable, net	-	61,113	-	-	-
Investment in unconsolidated affiliate	-	-	-	-	-
Deposits	2,898	7,169	884	-	2,485
<b>Total other assets</b>	<b>6,342</b>	<b>166,325</b>	<b>3,670</b>	<b>3,040</b>	<b>4,712</b>
<b>Total Assets</b>	<b>\$ 504,617</b>	<b>\$ 11,583,544</b>	<b>\$ 341,870</b>	<b>\$ 709,671</b>	<b>\$ 232,180</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 11,565	\$ 422,190	\$ 2,802	\$ 4,067	\$ (22)
Employee compensation and benefits	33,498	1,117,067	31,460	38,504	28,470
Deferred adoption fees	15,600	41,030	12,880	9,150	5,442
Due to other funds	-	-	-	-	-
Current maturities of long-term notes payable	-	30,303	-	-	-
<b>Total current liabilities</b>	<b>60,663</b>	<b>1,610,590</b>	<b>47,142</b>	<b>51,721</b>	<b>33,890</b>
Long-term liabilities:					
Long-term notes payable, less current maturities	-	195,827	-	-	-
Annuities payable	-	-	-	-	-
Additional minimum pension liability	38,684	1,171,007	23,565	35,848	26,144
<b>Total long-term liabilities</b>	<b>38,684</b>	<b>1,366,834</b>	<b>23,565</b>	<b>35,848</b>	<b>26,144</b>
<b>Total Liabilities</b>	<b>99,347</b>	<b>2,977,424</b>	<b>70,707</b>	<b>87,569</b>	<b>60,034</b>
<b>Net Assets, beginning of year</b>	<b>479,260</b>	<b>8,756,029</b>	<b>344,526</b>	<b>488,472</b>	<b>211,222</b>
<b>Change in net assets</b>	<b>(73,990)</b>	<b>(149,909)</b>	<b>(73,363)</b>	<b>133,630</b>	<b>(39,076)</b>
<b>Net Assets, end of year</b>	<b>405,270</b>	<b>8,606,120</b>	<b>271,163</b>	<b>622,102</b>	<b>172,146</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 504,617</b>	<b>\$ 11,583,544</b>	<b>\$ 341,870</b>	<b>\$ 709,671</b>	<b>\$ 232,180</b>

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

## Consolidating Statement of Financial Position

New England		New Jersey		North Carolina		Pennsylvania, Central		Pennsylvania, GDV		Pennsylvania, Western	
\$	3,178	\$	10,046	\$	3,000	\$	15,530	\$	(48,995)	\$	2,699
	53,986		146,536		931,670		227,743		-		36,504
	30,513		165,236		97,016		164,677		751,430		47,949
	-		-		-		-		117,096		-
	2,588		3,341		3,625		3,355		11,222		2,578
	-		-		-		-		9,570		-
	90,265		325,159		1,035,311		411,305		840,323		89,730
	-		-		-		-		-		-
	-		-		1,644		-		13,723		-
	-		-		6,164		23,961		41,050		11,055
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		7,808		23,961		54,773		11,055
	-		-		(1,220)		(22,648)		(18,154)		(1,198)
	-		-		6,588		1,313		36,619		9,857
	2,174		3,008		2,931		3,842		14,932		2,376
	-		-		-		-		206,098		-
	-		-		-		-		-		-
	2,414		5,633		1,500		3,524		14,611		1,333
	4,588		8,641		4,431		7,366		235,641		3,709
\$	94,853	\$	333,800	\$	1,046,330	\$	419,984	\$	1,112,583	\$	103,296
\$	25,237	\$	3,658	\$	14,174	\$	15,176	\$	111,913	\$	7,495
	25,829		29,738		31,540		51,122		150,710		22,670
	16,050		10,400		9,000		3,390		28,550		1,600
	-		-		-		-		9,570		-
	-		-		-		-		-		-
	67,116		43,796		54,714		69,688		300,743		31,765
	-		-		-		-		-		-
	-		-		-		-		-		-
	27,119		29,803		33,893		37,069		158,500		25,297
	27,119		29,803		33,893		37,069		158,500		25,297
	94,235		73,599		88,607		106,757		459,243		57,062
	95,467		120,445		772,002		300,061		200,642		95,636
	(94,849)		139,756		185,721		13,166		452,698		(49,402)
	618		260,201		957,723		313,227		653,340		46,234
\$	94,853	\$	333,800	\$	1,046,330	\$	419,984	\$	1,112,583	\$	103,296

December 31, 2005

	South Carolina	Tennessee, Chattanooga	Tennessee, Eastern	Tennessee, Middle	Tennessee, Mid-South
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 2,750	\$ (123,434)	\$ 500	\$ (211)	\$ 1,041
Investments	117,916	-	119,765	-	115,217
Accounts receivable, net	25,459	14,271	500	12,197	63,977
Campaign pledges receivable, net	-	-	-	-	-
Prepaid expenses	4,567	1,800	2,000	3,176	3,100
Due from other funds	-	-	-	-	-
<b>Total current assets</b>	<b>150,692</b>	<b>(107,363)</b>	<b>122,765</b>	<b>15,162</b>	<b>183,335</b>
<b>Property and equipment</b>					
Land and land improvements	-	-	-	-	-
Buildings and improvements	-	34,847	-	-	-
Furniture and equipment	13,952	-	-	-	12,888
Vehicles	-	-	-	-	-
Construction in progress	-	-	-	-	-
	13,952	34,847	-	-	12,888
Less accumulated depreciation	(13,952)	(4,974)	-	-	(12,136)
<b>Net property and equipment</b>	<b>-</b>	<b>29,873</b>	<b>-</b>	<b>-</b>	<b>752</b>
<b>Other assets</b>					
Intangible asset from pension plan	4,848	2,197	1,549	1,637	2,860
Campaign pledges receivable, net	-	-	-	-	-
Investment in unconsolidated affiliate	-	-	-	-	-
Deposits	2,951	5,000	2,000	3,021	3,100
<b>Total other assets</b>	<b>7,799</b>	<b>7,197</b>	<b>3,549</b>	<b>4,658</b>	<b>5,960</b>
<b>Total Assets</b>	<b>\$ 158,491</b>	<b>\$ (70,293)</b>	<b>\$ 126,314</b>	<b>\$ 19,820</b>	<b>\$ 190,047</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ (218)	\$ 39	\$ 6,581	\$ 1,834	\$ 14,528
Employee compensation and benefits	52,964	20,981	17,901	14,868	33,809
Deferred adoption fees	42,150	4,850	13,625	9,470	2,400
Due to other funds	-	-	-	-	-
Current maturities of long-term notes payable	-	-	-	-	-
<b>Total current liabilities</b>	<b>94,896</b>	<b>25,870</b>	<b>38,107</b>	<b>26,172</b>	<b>50,737</b>
<b>Long-term liabilities:</b>					
Long-term notes payable, less current maturities	-	-	-	-	-
Annuities payable	-	-	-	-	-
Additional minimum pension liability	57,951	22,181	16,412	15,654	30,195
<b>Total long-term liabilities</b>	<b>57,951</b>	<b>22,181</b>	<b>16,412</b>	<b>15,654</b>	<b>30,195</b>
<b>Total Liabilities</b>	<b>152,847</b>	<b>48,051</b>	<b>54,519</b>	<b>41,826</b>	<b>80,932</b>
<b>Net Assets, beginning of year</b>	<b>(7,841)</b>	<b>(145,276)</b>	<b>98,171</b>	<b>(53,542)</b>	<b>149,152</b>
<b>Change in net assets</b>	<b>13,485</b>	<b>26,932</b>	<b>(26,376)</b>	<b>31,536</b>	<b>(40,037)</b>
<b>Net Assets, end of year</b>	<b>5,644</b>	<b>(118,344)</b>	<b>71,795</b>	<b>(22,006)</b>	<b>109,115</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 158,491</b>	<b>\$ (70,293)</b>	<b>\$ 126,314</b>	<b>\$ 19,820</b>	<b>\$ 190,047</b>

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

## Consolidating Statement of Financial Position

	Virginia, Fairfax	Virginia, Hampton Roads	Washington	Wisconsin	International	Corporate
\$	2,757	\$ 3,151	\$ 15,620	\$ 44,262	\$ 38,053	\$ 4,394,231
	136,324	289,701	62,386	880,700	3,977,511	4,983,522
	64,014	75,204	111,667	103,708	215,469	54,003
	-	-	-	-	-	347,141
	7,330	2,181	6,910	3,553	18,686	378,794
	-	-	-	-	-	3,833,409
	210,425	370,237	196,583	1,032,223	4,249,719	13,991,100
	-	-	-	-	57,044	607,098
	-	6,435	4,530	-	567,843	4,331,887
	29,182	-	40,514	12,106	333,718	2,095,384
	-	-	-	-	-	-
	-	-	-	-	-	148,686
	29,182	6,435	45,044	12,106	958,605	7,183,055
	(9,580)	(1,022)	(40,513)	(637)	(129,264)	(2,332,497)
	19,602	5,413	4,531	11,469	829,341	4,850,558
	6,361	1,646	7,060	5,907	10,105	28,417
	-	-	-	-	-	135,236
	-	-	-	-	-	-
	3,298	1,809	3,780	1,750	-	-
	9,659	3,455	10,840	7,657	10,105	163,653
\$	239,686	\$ 379,105	\$ 211,954	\$ 1,051,349	\$ 5,089,165	\$ 19,005,311
\$	10,703	\$ 4,949	\$ 24,440	\$ 4,876	\$ 806,839	\$ 336,169
	62,429	21,745	74,041	66,920	100,230	444,433
	23,700	59,882	20,467	4,800	2,594,550	-
	-	-	-	-	-	3,930,409
	-	-	-	-	-	-
	96,832	86,576	118,948	76,596	3,501,619	4,711,011
	-	-	-	-	-	-
	-	-	-	-	-	560,293
	59,137	19,968	75,548	58,983	123,675	349,626
	59,137	19,968	75,548	58,983	123,675	909,919
	155,969	106,544	194,496	135,579	3,625,294	5,620,930
	137,599	173,620	173,360	857,925	1,262,198	12,926,578
	(53,882)	98,941	(155,902)	57,845	201,673	457,803
	83,717	272,561	17,458	915,770	1,463,871	13,384,381
\$	239,686	\$ 379,105	\$ 211,954	\$ 1,051,349	\$ 5,089,165	\$ 19,005,311

<i>Year ended December 31, 2005</i>	Total	Arkansas	California, Northern	California, Southern	Colorado
<b>Revenues</b>					
Contributions	\$ 10,492,353	\$ 174,978	\$ 1,129,326	\$ 254,635	\$ 98,026
Child support	28,196,104	-	62,000	6,500	926,818
Service fees	16,547,282	174,308	552,322	431,420	370,163
Investments and other	2,048,918	32,218	39,357	131,895	35,076
<b>Total Revenues</b>	<b>57,284,657</b>	<b>381,504</b>	<b>1,783,005</b>	<b>824,450</b>	<b>1,430,083</b>
<b>Expenses</b>					
Salaries	23,478,411	175,928	543,336	256,715	307,324
Employee benefits	5,256,592	35,684	92,169	57,616	66,725
Payroll taxes	1,755,364	13,296	40,775	19,246	23,274
Professional fees	1,460,955	3,524	21,088	21,380	28,497
Supplies	533,594	3,729	18,035	5,020	7,743
Telephone	648,376	8,488	10,971	12,324	15,858
Postage and shipping	600,638	6,005	12,065	10,973	6,989
Occupancy	2,660,552	29,185	51,854	74,129	45,934
Outside printing	682,227	5,821	12,480	7,101	6,397
Travel and transportation	1,737,969	9,589	29,623	13,347	29,802
Advertising	1,486,231	8,491	42,555	19,010	17,559
Special assistance	9,688,861	1,895	33,009	7,415	484,380
Overseas contributions	677,950	-	-	-	-
Miscellaneous	3,329,940	32,996	71,858	131,761	43,613
Depreciation	599,918	-	15,166	-	40
Support services	-	47,022	145,096	83,520	89,001
<b>Total Expenses</b>	<b>54,597,578</b>	<b>381,653</b>	<b>1,140,080</b>	<b>719,557</b>	<b>1,173,136</b>
<b>Changes in Net Assets</b>	<b>\$ 2,687,079</b>	<b>\$ (149)</b>	<b>\$ 642,925</b>	<b>\$ 104,893</b>	<b>\$ 256,947</b>



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

## Consolidating Statement of Activities

Florida		Georgia		Illinois		Indiana		Iowa, Northwest	Iowa, South Central		
\$	65,334	\$	263,211	\$	171,543	\$	255,489	\$	438,845	\$	177,534
	3,250		6,220,950		897,149		353,250		156,849		120,217
	308,685		629,957		348,694		841,815		536,751		794,919
	8,098		224,277		36,036		53,677		78,895		53,014
385,367		7,338,395		1,453,422		1,504,231		1,211,340		1,145,684	
123,733		1,978,963		576,378		649,340		458,591		287,163	
22,948		432,878		152,479		154,161		103,234		82,542	
9,389		149,440		43,231		48,830		33,992		21,103	
28,443		118,543		8,785		11,452		39,159		108,909	
2,661		56,307		9,952		7,366		25,102		20,362	
5,892		84,291		13,593		13,329		19,822		20,887	
5,719		37,346		18,621		13,167		20,374		11,318	
29,449		234,252		32,370		78,385		89,201		45,531	
4,546		36,685		13,594		12,195		46,773		15,349	
16,207		141,445		28,067		42,889		59,492		31,372	
9,236		121,341		8,054		27,189		75,674		57,148	
9,832		2,493,780		301,925		148,650		21,292		136,629	
-		-		-		-		-		-	
16,362		402,550		100,890		32,968		97,301		48,513	
-		798		18,619		157		602		743	
39,513		637,617		164,979		174,751		151,640		126,026	
323,930		6,926,236		1,491,537		1,414,829		1,242,249		1,013,595	
\$	61,437	\$	412,159	\$	(38,115)	\$	89,402	\$	(30,909)	\$	132,089

<i>Year ended December 31, 2005</i>	Maryland	Michigan	Minnesota	Mississippi	Missouri
<b>Revenues</b>					
Contributions	\$ 145,603	\$ 2,139,105	\$ 104,131	\$ 397,839	\$ 143,329
Child support	15,190	14,797,333	60,900	-	-
Service fees	361,334	2,498,369	289,893	280,111	314,682
Investments and other	47,128	447,905	22,648	46,455	21,785
<b>Total Revenues</b>	<b>569,255</b>	<b>19,882,712</b>	<b>477,572</b>	<b>724,405</b>	<b>479,796</b>
<b>Expenses</b>					
Salaries	289,601	8,226,852	270,472	262,717	218,109
Employee benefits	43,179	1,939,344	48,870	71,758	58,962
Payroll taxes	22,161	624,713	20,510	19,628	16,295
Professional fees	21,004	349,203	10,170	7,307	5,656
Supplies	2,658	154,401	5,089	4,073	3,926
Telephone	6,762	124,422	5,331	11,164	9,568
Postage and shipping	7,422	82,561	9,762	9,388	7,074
Occupancy	52,150	671,916	49,023	37,833	34,055
Outside printing	6,610	111,524	7,477	10,663	5,901
Travel and transportation	16,785	589,716	15,278	11,477	16,067
Advertising	51,768	164,194	15,675	15,898	30,353
Special assistance	16,780	4,309,575	6,794	20,220	8,882
Overseas contributions	-	-	-	-	-
Miscellaneous	26,087	544,616	16,075	34,724	40,408
Depreciation	-	240,888	-	1,056	-
Support services	80,278	1,898,696	70,409	72,869	63,616
<b>Total Expenses</b>	<b>643,245</b>	<b>20,032,621</b>	<b>550,935</b>	<b>590,775</b>	<b>518,872</b>
<b>Changes in Net Assets</b>	<b>\$ (73,990)</b>	<b>\$ (149,909)</b>	<b>\$ (73,363)</b>	<b>\$ 133,630</b>	<b>\$ (39,076)</b>

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

## Consolidating Statement of Activities

	New England	New Jersey	North Carolina	Pennsylvania, Central	Pennsylvania, GDV	Pennsylvania, Western
\$	139,978	\$ 182,913	\$ 118,846	\$ 153,349	\$ 775,012	\$ 131,079
	15,031	-	710,884	493,392	2,082,145	119,022
	210,959	523,107	426,988	281,081	398,109	132,995
	5,046	49,145	44,952	28,239	69,754	9,216
	371,014	755,165	1,301,670	956,061	3,325,020	392,312
	192,296	279,044	236,768	422,076	1,115,726	174,078
	37,230	49,798	57,709	73,174	251,571	34,257
	14,457	21,037	17,903	31,773	83,823	13,146
	23,523	4,309	25,846	24,866	18,630	12,101
	4,200	5,400	5,395	10,983	16,499	4,388
	10,418	5,864	15,161	9,603	28,514	9,615
	6,254	11,296	8,329	7,020	33,385	6,396
	41,617	45,375	46,799	47,418	160,056	32,217
	6,577	12,367	7,601	7,721	24,066	9,044
	22,431	19,097	22,403	24,192	60,242	13,959
	11,903	16,262	33,397	17,899	46,617	21,739
	10,071	24,201	553,279	113,879	611,116	41,665
	-	-	-	-	-	-
	26,224	43,634	12,498	45,811	129,032	16,700
	-	-	384	1,767	7,465	1,106
	58,662	77,725	72,477	104,713	285,580	51,303
	465,863	615,409	1,115,949	942,895	2,872,322	441,714
\$	(94,849)	\$ 139,756	\$ 185,721	\$ 13,166	\$ 452,698	\$ (49,402)

<i>Year ended December 31, 2005</i>	South Carolina	Tennessee, Chattanooga	Tennessee, Eastern	Tennessee, Middle	Tennessee, Mid-South
<b>Revenues</b>					
Contributions	\$ 387,079	\$ 225,256	\$ 126,348	\$ 81,441	\$ 262,890
Child support	22,577	-	-	-	74,099
Service fees	457,719	108,990	190,310	324,768	249,800
Investments and other	21,927	33,973	2,604	74,265	16,176
<b>Total Revenues</b>	<b>889,302</b>	<b>368,219</b>	<b>319,262</b>	<b>480,474</b>	<b>602,965</b>
<b>Expenses</b>					
Salaries	368,230	132,256	158,524	138,073	291,607
Employee benefits	81,141	39,349	32,568	28,722	76,350
Payroll taxes	27,115	9,931	12,421	10,515	21,880
Professional fees	2,416	6,749	4,067	23,851	8,450
Supplies	7,344	3,806	2,242	5,169	4,907
Telephone	19,008	5,677	5,508	6,733	9,162
Postage and shipping	12,510	5,367	4,034	8,215	8,926
Occupancy	66,912	30,960	24,183	38,149	40,502
Outside printing	13,973	5,740	4,357	7,365	6,308
Travel and transportation	22,470	5,195	8,451	11,163	19,390
Advertising	66,665	18,799	13,177	21,137	24,532
Special assistance	26,795	1,353	12,235	27,021	27,581
Overseas contributions	-	-	-	-	-
Miscellaneous	54,858	32,521	20,378	71,629	22,090
Depreciation	208	851	-	-	1,064
Support services	106,172	42,733	43,493	51,196	80,253
<b>Total Expenses</b>	<b>875,817</b>	<b>341,287</b>	<b>345,638</b>	<b>448,938</b>	<b>643,002</b>
<b>Changes in Net Assets</b>	<b>\$ 13,485</b>	<b>\$ 26,932</b>	<b>\$ (26,376)</b>	<b>\$ 31,536</b>	<b>\$ (40,037)</b>

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

## Consolidating Statement of Activities

Virginia, Fairfax	Virginia, Hampton Roads	Washington	Wisconsin	International	Corporate
\$ 228,319	\$ 157,778	\$ 332,984	\$ 253,540	\$ 573,094	\$ 403,519
273,430	-	378,734	406,384	-	-
705,939	269,581	622,062	602,941	2,316,010	(7,500)
36,678	36,433	117,174	68,564	243,983	(87,675)
1,244,366	463,792	1,450,954	1,331,429	3,133,087	308,344
600,006	155,517	604,072	594,815	757,300	2,632,801
105,304	30,988	130,313	113,502	179,133	572,934
45,375	11,784	45,062	45,142	53,617	184,500
91,830	5,582	81,351	51,249	78,264	214,751
18,847	2,791	24,049	17,356	18,951	54,843
21,838	5,368	25,111	15,710	25,252	67,132
14,248	5,343	18,197	17,142	101,483	73,709
98,747	25,888	93,077	52,769	75,096	185,520
12,019	4,456	16,288	17,104	47,409	176,716
30,781	8,579	50,750	52,761	141,313	173,636
28,842	29,855	61,098	79,437	55,480	275,247
21,820	3,598	173,728	8,359	30,602	500
-	-	-	-	677,950	-
38,683	28,936	104,196	45,194	325,556	671,278
5,562	156	2,453	637	33,305	266,891
164,346	46,010	177,111	162,407	330,703	(5,699,917)
1,298,248	364,851	1,606,856	1,273,584	2,931,414	(149,459)
\$ (53,882)	\$ 98,941	\$ (155,902)	\$ 57,845	\$ 201,673	\$ 457,803