

Bethany Christian Services

Consolidated Financial Report with Additional Information December 31, 2016

Bethany Christian Services

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Independent Auditor's Report

To the Board of Directors
Bethany Christian Services

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Bethany Christian Services and its subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Bethany Christian Services

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bethany Christian Services and its subsidiaries as of December 31, 2016 and 2015, and the changes in net assets, functional expenses, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2017 on our consideration of Bethany Christian Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. 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* in considering Bethany Christian Services' internal control over financial reporting and compliance.

Plante & Morse, PLLC

March 14, 2017

Bethany Christian Services

Consolidated Statement of Financial Position

	December 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,384,158	\$ 2,990,483
Investments (Note 2)	30,713,071	28,702,551
Receivables - Net	13,214,573	12,052,980
Prepaid expenses and other current assets:		
Prepaid expenses	1,053,788	1,141,724
Deposits	209,274	290,091
Total current assets	48,574,864	45,177,829
Property and Equipment - Net (Note 3)	17,413,896	15,152,226
Investment in Unconsolidated Affiliate (Note 2)	559,813	585,351
Total assets	\$ 66,548,573	\$ 60,915,406
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,662,814	\$ 2,499,265
Bank line of credit (Note 6)	-	1,200,000
Current portion of long-term debt (Note 6)	599,103	646,216
Deferred revenue	2,836,792	2,472,916
Accrued employee compensation and benefits	5,523,726	5,075,479
Total current liabilities	11,622,435	11,893,876
Annuities Payable (Note 4)	309,467	303,613
Long-term Debt - Net of current portion (Note 6)	7,993,702	6,081,282
Total liabilities	19,925,604	18,278,771
Net Assets		
Unrestricted:		
Undesignated	26,485,079	24,751,797
Board-designated (Note 9)	18,213,840	17,222,314
Temporarily restricted (Note 9)	1,744,725	489,850
Permanently restricted (Note 9)	179,325	172,674
Total net assets	46,622,969	42,636,635
Total liabilities and net assets	\$ 66,548,573	\$ 60,915,406

Bethany Christian Services

Consolidated Statement of Activities and Changes in Net Assets

	Year Ended							
	December 31, 2016				December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Contributions	\$ 13,736,273	\$ 2,205,641	\$ 4,642	\$ 15,946,556	\$ 16,353,107	\$ -	\$ 7,590	\$ 16,360,697
Child support	68,591,691	-	-	68,591,691	58,009,703	-	-	58,009,703
Service fees	22,586,358	-	-	22,586,358	22,657,150	-	-	22,657,150
Investments and other	4,155,002	64,720	2,009	4,221,731	657,484	(7,234)	(318)	649,932
Total revenue and support	109,069,324	2,270,361	6,651	111,346,336	97,677,444	(7,234)	7,272	97,677,482
Net Assets Released from Restrictions	1,015,486	(1,015,486)	-	-	149,795	(49,795)	(100,000)	-
Total revenue, support, and net assets released from restrictions	110,084,810	1,254,875	6,651	111,346,336	97,827,239	(57,029)	(92,728)	97,677,482
Expenses								
Program services:								
Adoption	23,535,635	-	-	23,535,635	23,628,286	-	-	23,628,286
Foster care	28,728,340	-	-	28,728,340	25,847,924	-	-	25,847,924
International social services	1,224,090	-	-	1,224,090	1,229,699	-	-	1,229,699
Refugee services	22,069,414	-	-	22,069,414	15,607,613	-	-	15,607,613
Counseling	10,413,250	-	-	10,413,250	10,328,045	-	-	10,328,045
Residential treatment	1,943,134	-	-	1,943,134	1,822,481	-	-	1,822,481
Sponsorship	435,644	-	-	435,644	363,421	-	-	363,421
Other programs	3,391,965	-	-	3,391,965	2,993,678	-	-	2,993,678
Total program services	91,741,472	-	-	91,741,472	81,821,147	-	-	81,821,147
Support services:								
Management and general	10,011,512	-	-	10,011,512	9,384,727	-	-	9,384,727
Fundraising	5,607,018	-	-	5,607,018	5,068,901	-	-	5,068,901
Total expenses	107,360,002	-	-	107,360,002	96,274,775	-	-	96,274,775
Net Increase (Decrease) in Net Assets	2,724,808	1,254,875	6,651	3,986,334	1,552,464	(57,029)	(92,728)	1,402,707
Net Assets - Beginning of year	41,974,111	489,850	172,674	42,636,635	40,421,647	546,879	265,402	41,233,928
Net Assets - End of year	<u>\$ 44,698,919</u>	<u>\$ 1,744,725</u>	<u>\$ 179,325</u>	<u>\$ 46,622,969</u>	<u>\$ 41,974,111</u>	<u>\$ 489,850</u>	<u>\$ 172,674</u>	<u>\$ 42,636,635</u>

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Consolidated Statement of Functional Expenses Year Ended December 31, 2016

	Adoption	Foster Care	International Social Services	Refugee Services	Counseling	Residential Treatment	Sponsorship	Other Programs	Management and General	Fundraising	Total
Operating Expenses											
Salaries	\$ 11,705,125	\$ 10,466,184	\$ 124,542	\$ 8,902,027	\$ 5,204,811	\$ 1,144,084	\$ 84,505	\$ 1,514,853	\$ 5,188,604	\$ 2,038,642	\$ 46,373,377
Fringes	2,792,286	2,400,002	29,120	2,017,202	1,024,809	284,765	20,971	440,522	986,630	429,189	10,425,496
Taxes	863,312	768,769	8,892	657,257	383,675	85,130	6,168	113,871	372,105	150,131	3,409,310
Professional fees	1,210,672	305,439	55,128	669,573	367,959	36,817	47,752	114,970	801,870	890,873	4,501,053
Supplies	187,554	214,136	758	165,495	84,564	26,726	44	53,355	50,440	18,571	801,643
Telephone	339,018	254,006	1,546	162,184	152,732	3,734	65	33,564	38,689	24,555	1,010,093
Postage	197,429	39,925	9	14,527	20,347	971	1,487	12,759	72,125	144,586	504,165
Occupancy	1,775,038	1,119,375	5,337	969,991	578,443	48,593	-	152,827	282,572	112,045	5,044,221
Printing	139,388	54,195	861	20,443	43,183	136	382	30,401	42,059	374,007	705,055
Information technology	416,505	362,612	3,067	348,890	146,733	33,670	3,326	53,372	2,374	41,377	1,411,926
Equipment and furnishings	66,180	48,692	68	70,333	37,375	9,962	-	4,973	30,358	8,636	276,577
Travel	848,939	1,049,132	45,878	542,740	452,929	22,129	15,216	33,970	391,922	222,885	3,625,740
Conferences and meetings	232,825	158,216	1,047	110,542	52,810	9,441	295	71,706	168,328	117,279	922,489
Advertising	742,647	389,090	-	75,154	474,106	180	-	95,554	409,806	13,305	2,199,842
Special assistance	765,556	10,818,320	-	7,114,578	1,101,028	183,484	1,866	166,724	492	203	20,152,251
Overseas contributions	467,328	-	859,366	-	-	-	249,566	1,142	-	-	1,577,402
Program development	3,777	15	-	103	-	-	-	-	-	-	3,895
Payment processing fees	320,242	1,832	1,744	817	15,850	-	3,629	46,282	1,560	3,049	395,005
Educational and promotional materials	13,952	13,104	162	4,239	10,036	29	-	2,160	142,089	25,797	211,568
Miscellaneous fund raising	-	-	-	-	-	-	-	-	-	923,504	923,504
Bad debt	71,606	1,799	-	-	144,780	277	-	-	-	-	218,462
Miscellaneous	198,418	133,193	85,914	62,911	85,102	3,173	372	288,112	613,721	45,328	1,516,244
Depreciation	177,838	130,304	651	160,408	31,978	49,833	-	160,848	415,768	23,056	1,150,684
Total operating expenses	\$ 23,535,635	\$ 28,728,340	\$ 1,224,090	\$ 22,069,414	\$ 10,413,250	\$ 1,943,134	\$ 435,644	\$ 3,391,965	\$ 10,011,512	\$ 5,607,018	\$ 107,360,002

Bethany Christian Services

Consolidated Statement of Functional Expenses Year Ended December 31, 2015

	Adoption	Foster Care	International Social Services	Refugee Services	Counseling	Residential Treatment	Sponsorship	Other Programs	Management and General	Fundraising	Total
Operating Expenses											
Salaries	\$ 11,884,951	\$ 9,558,235	\$ 194,126	\$ 6,599,236	\$ 5,427,658	\$ 1,064,477	\$ 44,692	\$ 1,423,991	\$ 4,796,012	\$ 1,706,869	\$ 42,700,247
Fringes	2,630,429	2,130,968	25,982	1,526,467	1,069,912	246,243	11,238	415,568	908,152	291,152	9,256,111
Taxes	875,181	700,616	13,832	485,424	396,239	78,327	3,253	105,196	345,502	123,760	3,127,330
Professional fees	1,001,509	301,789	62,532	226,275	326,573	34,802	201	176,930	948,339	1,279,070	4,358,020
Supplies	191,673	215,639	3,098	139,630	72,350	30,622	21	24,412	55,975	16,933	750,353
Telephone	405,666	227,804	1,829	125,143	155,475	6,246	32	38,954	40,868	23,451	1,025,468
Postage	236,617	40,855	138	12,479	24,033	496	2,260	12,691	89,786	56,784	476,139
Occupancy	1,743,163	989,335	10,090	753,893	515,334	67,722	-	169,876	309,140	108,478	4,667,031
Printing	152,231	42,536	1,291	15,761	42,021	311	345	21,180	38,089	78,816	392,581
Information technology	328,662	291,248	5,194	189,716	102,424	22,260	498	48,059	131,587	26,447	1,146,095
Equipment and furnishings	41,724	51,331	404	145,722	11,312	10,791	-	16,106	35,399	4,175	316,964
Travel	873,651	914,344	65,128	422,616	443,601	23,352	531	124,104	356,626	200,410	3,424,363
Conferences and meetings	385,321	129,547	1,100	74,627	44,406	2,398	74	40,723	134,465	123,516	936,177
Advertising	664,887	521,217	2,568	63,883	472,249	546	1,388	41,161	327,591	15,044	2,110,534
Special assistance	744,324	9,390,878	12,105	4,636,474	1,105,857	172,485	2,344	102,396	25	123	16,167,011
Overseas contributions	663,555	-	723,326	-	-	-	291,798	27,256	-	-	1,705,935
Program development	12,597	5,651	6,703	1,342	5,102	11	-	4,461	11,750	1,000	48,617
Payment processing fees	288,573	1,055	926	272	14,261	58	3,808	54,340	1,654	20	364,967
Educational and promotional materials	36,336	27,790	119	12,037	8,713	2,538	-	3,815	173,765	14,801	279,914
Miscellaneous fund raising	-	-	-	-	-	-	-	-	-	915,989	915,989
Bad debt	55,012	67,708	-	850	41,706	-	-	-	-	-	165,276
Miscellaneous	227,664	124,806	95,839	68,989	20,055	10,937	938	2,460	311,854	51,861	915,403
Depreciation	184,560	114,572	3,369	106,777	28,764	47,859	-	139,999	368,148	30,202	1,024,250
Total operating expenses	\$ 23,628,286	\$ 25,847,924	\$ 1,229,699	\$ 15,607,613	\$ 10,328,045	\$ 1,822,481	\$ 363,421	\$ 2,993,678	\$ 9,384,727	\$ 5,068,901	\$ 96,274,775

Bethany Christian Services

Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2016	December 31, 2015
Cash Flows from Operating Activities		
Increase in net assets	\$ 3,986,334	\$ 1,402,707
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	1,150,684	1,024,250
Loss on sale of property and equipment	629,291	11,502
Permanently restricted contributions received	(4,642)	(7,590)
Bad debt expense	(218,462)	(165,276)
Net realized and unrealized (gains) losses on investments	(1,746,311)	1,208,609
Earnings on unconsolidated investment	(38,462)	(42,000)
Distributions from unconsolidated affiliate	64,000	64,000
Net present value adjustment of annuities payable	46,271	22,047
Changes in operating assets and liabilities which (used) provided cash:		
Receivables	(943,131)	(1,645,264)
Prepaid expenses and other	168,753	(272,418)
Accounts payable and accrued expenses	163,549	(779,262)
Accrued employee compensation and benefits	448,247	148,130
Deferred revenue	363,876	(139,123)
Net cash and cash equivalents provided by operating activities	4,069,997	830,312
Cash Flows from Investing Activities		
Purchase of property and equipment	(4,309,187)	(1,379,308)
Proceeds from disposition of property and equipment	267,542	-
Purchases of investments	(3,782,506)	(1,476,709)
Proceeds from sales of investments	3,518,297	1,271,110
Net cash and cash equivalents used in investing activities	(4,305,854)	(1,584,907)
Cash Flows from Financing Activities		
Payments on annuities payable	(40,417)	(41,693)
Payments on long-term debt	(5,538,882)	(872,060)
Proceeds from long-term debt	7,404,189	296,250
Draws from revolving credit facilities	1,250,000	1,200,000
Payments on revolving credit facilities	(2,450,000)	-
Permanently restricted contributions received	4,642	7,590
Net cash and cash equivalents provided by financing activities	629,532	590,087
Net Increase (Decrease) in Cash and Cash Equivalents	393,675	(164,508)
Cash and Cash Equivalents - Beginning of year	2,990,483	3,154,991
Cash and Cash Equivalents - End of year	\$ 3,384,158	\$ 2,990,483
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	\$ 155,890	\$ 132,718

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - Bethany Christian Services and its subsidiaries (the "Organization") is a not-for-profit corporation whose sources of revenue are derived principally from public contributions, government grants, and service fees. 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 39 home offices in 37 states plus Washington D.C., with the central business office located in Grand Rapids, Michigan. Approximately 62 and 59 percent of operating revenue in 2016 and 2015, respectively, was derived from services provided under contract with governmental units.

Significant accounting policies are as follows:

Principles of Consolidation - The consolidated financial statements include the accounts of the Organization and all of its wholly owned subsidiaries, which include all of the various branches and related legal entities. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates - The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - The Organization prepares its consolidated financial statements in accordance with the accounting principles outlined in the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Entities* and accounting standards for financial statements of not-for-profit organizations.

Cash Equivalents - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk Arising from Deposit Accounts - The Organization maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 and certain other federally managed programs. As of December 31, 2016 and 2015, the Organization had depository accounts with a financial institution in excess of federally insured limits.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note I - Nature of Activities and Significant Accounting Policies (Continued)

Investments - Investments are stated at fair value, except for the investment in unconsolidated affiliate, which is recorded using the equity method. Gains or losses on investments are reported in the consolidated statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Receivables - Receivables are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance was \$175,000 and \$164,050 at December 31, 2016 and 2015, respectively.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred. Estimated useful lives are 40 years for buildings, 20 years for land improvements (or the lease term, whichever is shorter), 10 years for furniture and fixtures, three to six years for machinery and equipment, and three to five years for vehicles.

The Organization reports gifts of property and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property and equipment must be maintained, the Organization reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property and equipment.

Certain property and equipment were acquired with funds from grant contracts that include the option for the grantor to require reversion of title at the end of the grant contract. These assets are insignificant to the consolidated financial statements as a whole and were fully depreciated as of December 31, 2016 and 2015.

Deferred Revenue - Deferred revenue consists primarily of adoption fees billed to prospective parents and collected in advance of providing adoption services and grant revenue received in advance of expenditures.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Classification of Net Assets - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Temporarily restricted net assets include accumulated endowment earnings and pledges not available for current purposes that will be released from restriction due to the passage of time. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

During 2015, the Organization received communication from a donor to release the restriction of a gift in permanently restricted net assets for \$100,000.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions are reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Grant Revenue - Grant revenue received for grants determined to be exchange transactions is recognized as services are provided. Grant money received in excess of that earned is recorded as deferred revenue. Grant revenue is primarily received for child support services.

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Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Service Fee Revenue - Prospective parents involved in the domestic infant 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. These fees are billed at the time the home study is complete. The Organization's policy is to recognize a portion of the fee as revenue at the time of home study completion and record a deferred revenue related to the remaining balance. A portion of the deferred revenue is recognized at the time of placement, with the remainder balance being recognized when the adoption is closed.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Advertising - Advertising costs are expensed as incurred and amounted to \$2,199,842 and \$2,110,534 in 2016 and 2015, respectively.

Risks and Uncertainties - The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

The Organization's child support revenue category is made up of approximately 32 percent and 29 percent of contracts with state and federal agencies for international refugee services as of December 31, 2016 and 2015, respectively.

Revenue Recognition - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization anticipates this standard will have an impact on the consolidated financial statements, specifically related to certain child support and service fee contracts with customers. The Organization is continuing to assess all potential impacts.

Lease Recognition - In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statements of activities and changes in net assets and cash flows will be generally consistent with the current guidance. The lease new guidance will be effective for the Organization's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Upon implementation, the Organization's lease payment obligations will be recognized at their estimated present value along with a corresponding right-of-use asset. Lease expense recognition will be generally consistent with current practice.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Not-for-Profit Financial Reporting - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization is currently evaluating the impact this standard will have on the consolidated financial statements.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including March 14, 2017, which is the date the consolidated financial statements were available to be issued.

Note 2 - Investments

Investments consisted of the following at December 31:

	2016	2015
Mutual funds	\$ 22,832,465	\$ 22,433,691
Pooled funds	320,375	347,140
Exchange traded funds	7,560,230	5,921,720
Subtotal	30,713,071	28,702,551
Investment in unconsolidated affiliate	559,813	585,351
Total	<u>\$ 31,272,884</u>	<u>\$ 29,287,902</u>

Investment income consists of the following:

	2016	2015
Interest and dividends	\$ 984,968	\$ 947,846
Realized and unrealized gains (losses)	1,746,311	(1,208,609)
Total	<u>\$ 2,731,279</u>	<u>\$ (260,763)</u>

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 2 - Investments (Continued)

During 2005, the Organization purchased a 40 percent 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 approximately \$43,000 and \$42,000 and received a distribution of \$64,000 for each of the years ended December 31, 2016 and 2015. The Organization is the sole tenant of the real estate limited liability company and has incurred lease expenses of \$169,051 in 2016 and \$164,928 in 2015 related to an operating lease entered into in conjunction with the investment.

Note 3 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2016	2015
Land	\$ 1,487,813	\$ 1,440,054
Land improvements	1,459,001	1,450,028
Buildings and improvements	19,247,815	18,042,518
Transportation equipment	579,424	528,989
Furniture and fixtures	7,195,450	6,646,760
Construction in progress	1,539,107	238,334
Total cost	31,508,610	28,346,683
Accumulated depreciation	(14,094,714)	(13,194,457)
Net carrying amount	\$ 17,413,896	\$ 15,152,226

Depreciation expense was \$1,150,684 for 2016 and \$1,024,250 for 2015.

As of December 31, 2016, the Organization has no significant commitments related to capital improvements.

Note 4 - Annuities Payable

The Organization sponsors a program in which donors may transfer assets to the Organization for the right to receive a predetermined return during their lifetimes (an annuity). Based upon the terms of each annuity agreement, the Organization determines its liability under the agreement using the estimated present value of future payments to the annuitant. Such future payments are determined utilizing the life expectancy of the annuitant (based on Annuity 2012 Table for males and females) and the interest rate (discount rate), the applicable federal mid-term rate for U.S. Treasury bills, in effect at the time of the gift. At December 31, 2016 and 2015, the Organization recorded \$309,467 and \$303,613, respectively, in annuities payable relating to such program.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 5 - Operating Leases

The Organization leases office space and certain equipment and vehicles under operating lease agreements that expire through 2021. The following is a schedule of future minimum rental payments for the years ending December 31:

2017	\$ 2,962,709
2018	2,146,053
2019	1,561,773
2020	842,282
2021	<u>281,391</u>
Total	<u>\$ 7,794,208</u>

Total rent expense on these leases for 2016 and 2015 was \$2,783,889 and \$2,591,840, respectively.

Note 6 - Line of Credit

During the year, the Organization refinanced its line of credit and increased available borrowings from \$3,000,000 to \$5,000,000. There were no outstanding borrowings at December 31, 2016. There were outstanding borrowings of \$1,200,000 at December 31, 2015. The 2016 line of credit bears interest at LIBOR, plus 1.75 percent (an effective rate of 2.37 percent at December 31, 2016). The 2015 line of credit bears interest at LIBOR plus 1.7 percent (an effective rate of 1.94 percent at December 31, 2015). The line of credit is collateralized by the Organization's brokerage accounts and expires on May 9, 2017.

As of December 31, 2016 and 2015, the Organization had outstanding notes payable as follows:

	<u>2016</u>	<u>2015</u>
Thrift store mortgage, payable in monthly installments of \$1,919, increasing to \$2,058 in 2017, including interest of LIBOR plus 2.05 percent (an effective rate of 2.29 percent at December 31, 2015). The loan was paid off in 2016	\$ -	\$ 355,025
Term loan payable in monthly installments of \$49,523, increasing to \$53,000 in 2017, including interest of LIBOR plus 1.7 percent (an effective rate of 1.94 percent at December 31, 2015). The loan was paid off in 2016	-	3,872,681

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 6 - Line of Credit (Continued)

	2016	2015
Barnabas Foundation note payable with principal payable upon the termination of the loan and interest due quarterly. Interest is a fixed rate of LIBOR plus 1 percent (an effective rate of 1.62 and 1.24 percent at December 31, 2016 and 2015, respectively). The loan matures on June 21, 2018 and is unsecured	\$ 1,500,000	\$ 1,500,000
Girls Group Home mortgage payable in monthly principal installments of \$1,646 plus interest of LIBOR plus 2.65 percent (an effective rate of 2.89 percent at December 31, 2015). The loan was paid off in 2016	-	279,792
Holland building promissory note with principal payable upon the termination of the loan and interest due monthly. Interest is a fixed rate of LIBOR plus 1.75 percent (an effective rate of 2.37 percent at December 31, 2016). The loan matures on July 5, 2018 and the loan is collateralized by the Holland property	1,025,000	-
Term loan payable in monthly principal installments of \$57,350 plus interest at LIBOR plus 1.75 percent (an effective rate of 2.37 percent at December 31, 2016). The loan matures on February 29, 2023 and is unsecured	3,966,063	-
52nd Street promissory note with principal payable upon the termination of the loan and interest due monthly. Interest is a fixed rate of LIBOR plus 1.75 percent (an effective rate of 2.37 percent at December 31, 2016). The loan matures on February 26, 2018 and is collateralized by the 52nd Street property	1,381,742	-
Federal Home Loan Bank Affordable Housing Program notes payable, received to assist in the building of low-income housing units. This loan has no repayment requirements, no interest, and will be forgiven at the end of the 15-year compliance period if the related projects are operated in compliance with the grant terms. The loan is secured by the housing units associated with the loan	720,000	720,000
Total	8,592,805	6,727,498
Less current portion	599,103	646,216
Long-term portion	\$ 7,993,702	\$ 6,081,282

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 6 - Line of Credit (Continued)

The debt service requirements are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2017	\$ 599,103
2018	3,020,463
2019	2,128,695
2020	643,899
2021	659,746
Thereafter	<u>1,540,899</u>
Total	<u>\$ 8,592,805</u>

Interest expense for the line of credit and long-term debt totaled \$155,890 and \$132,718 for 2016 and 2015, respectively.

The Organization is required to meet quarterly debt covenants that include liquidity requirements in relation to the term loan payables and line of credit.

Note 7 - Employee Benefit Plans

403(b) Retirement Plan

The Organization has a 403(b) retirement plan. Under the plan, employees can elect to defer up to 85 percent of their annual compensation up to the maximum dollar amount determined by the Internal Revenue Code.

The Organization provides a discretionary match for eligible employee contributions in an amount equal to 100 percent of elective deferral contributions according to the following schedule:

<u>Years of Service</u>	<u>Limit on Contributions Matched</u>
Less than 2	No matching contribution
2-4	4 percent
5-9	6 percent
10 or more	8 percent

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 7 - Employee Benefit Plans (Continued)

In addition, the Organization can make a discretionary contribution of 2 percent of salary for each participant employed at the end of the year, with at least two years of service, and who has worked at least 1,000 hours during the year. The discretionary contribution was made for 2016 and 2015.

The Organization made contributions of \$1,904,641 and \$1,634,891 to the plan for the years ended December 31, 2016 and 2015, respectively.

Note 8 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2016 and 2015 and the valuation techniques used by the Organization to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 8 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
Investments:				
Mutual funds - Domestic stock	\$ 6,919,941	\$ -	\$ -	\$ 6,919,941
Mutual funds - Foreign stock	4,632,383	-	-	4,632,383
Mutual funds - Real estate	602,147	-	-	602,147
Exchange traded funds - Domestic stock	3,344,857	-	-	3,344,857
Exchange traded funds - Foreign stock	1,701,229	-	-	1,701,229
Exchange traded funds - Real estate	1,027,684	-	-	1,027,684
Mutual funds - Bonds	10,677,995	-	-	10,677,995
Exchange traded funds - Bonds	1,486,460	-	-	1,486,460
Pooled funds - Balanced	-	91,936	-	91,936
Pooled funds - Domestic stock	-	50,632	12,404	63,036
Pooled funds - Foreign equity	-	71,675	-	71,675
Pooled funds - Global allocation	-	22,332	-	22,332
Pooled funds - Bonds	-	51,445	-	51,445
Pooled funds - Alternatives	-	-	19,951	19,951
Total investments	<u>\$ 30,392,696</u>	<u>\$ 288,020</u>	<u>\$ 32,355</u>	<u>\$ 30,713,071</u>

Assets Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
Investments:				
Mutual funds - Domestic stocks	\$ 6,462,673	\$ -	\$ -	\$ 6,462,673
Mutual funds - Foreign stock	4,276,458	-	-	4,276,458
Mutual funds - Bonds	11,151,475	-	-	11,151,475
Mutual funds - Real estate	543,085	-	-	543,085
Exchange traded funds - Domestic stock	3,071,531	-	-	3,071,531
Exchange traded funds - Foreign stock	1,567,944	-	-	1,567,944
Exchange traded funds - Real estate	985,377	-	-	985,377
Exchange traded funds - Bonds	296,868	-	-	296,868
Pooled funds - Balanced	-	97,188	-	97,188
Pooled funds - Domestic stocks	-	51,747	11,988	63,735
Pooled funds - Foreign equity	-	77,044	-	77,044
Pooled funds - Global allocation	-	25,571	-	25,571
Pooled funds - Bonds	-	59,117	-	59,117
Pooled funds - Alternatives	-	-	24,485	24,485
Total investments	<u>\$ 28,355,411</u>	<u>\$ 310,667</u>	<u>\$ 36,473</u>	<u>\$ 28,702,551</u>

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 8 - Fair Value Measurements (Continued)

The fair value of pooled funds, corporate bonds, and U.S. Treasury and U.S. agency notes at December 31, 2016 and 2015 was determined primarily based on Level 2 inputs. The Organization estimates the fair value of these investments using quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves.

The Organization's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended December 31, 2016 and 2015, there were no transfers between levels of the fair value hierarchy.

Note 9 - Donor-restricted and Board-designated Endowments

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2016

	Unrestricted - Board- designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 486,489	\$ 179,325	\$ 665,814
Board-designated endowment funds	18,213,840	-	-	18,213,840
Total funds	<u>\$ 18,213,840</u>	<u>\$ 486,489</u>	<u>\$ 179,325</u>	<u>\$ 18,879,654</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2016

	Unrestricted - Board- designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 17,222,314	\$ 427,923	\$ 172,674	\$ 17,822,911
Investment return:				
Investment income	634,680	-	-	634,680
Net appreciation	1,085,491	58,566	2,009	1,146,066
Total investment return	1,720,171	58,566	2,009	1,780,746
Contributions	231,996	-	4,642	236,638
Appropriation of endowment assets for expenditure	(840,641)	-	-	(840,641)
Other changes - Transfers from unrestricted - undesignated net assets	(120,000)	-	-	(120,000)
Endowment net assets - End of year	<u>\$ 18,213,840</u>	<u>\$ 486,489</u>	<u>\$ 179,325</u>	<u>\$ 18,879,654</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2015

	Unrestricted - Board- designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 427,923	\$ 172,674	\$ 600,597
Board-designated endowment funds	17,222,314	-	-	17,222,314
Total funds	<u>\$ 17,222,314</u>	<u>\$ 427,923</u>	<u>\$ 172,674</u>	<u>\$ 17,822,911</u>

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015

	Unrestricted - Board- designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ 17,860,092	\$ 480,338	\$ 265,402	\$ 18,605,832
Investment return:				
Investment income	614,229	-	-	614,229
Net depreciation	(873,539)	(11,378)	(318)	(885,235)
Total investment return	(259,310)	(11,378)	(318)	(271,006)
Contributions	416,546	-	7,590	424,136
Appropriation of endowment assets for expenditure	(823,214)	(41,037)	-	(864,251)
Net assets reclassified -				
Permanently restricted released from restriction	100,000	-	(100,000)	-
Other changes - Transfers from unrestricted - undesignated net assets	(71,800)	-	-	(71,800)
Endowment net assets - End of year	<u>\$ 17,222,314</u>	<u>\$ 427,923</u>	<u>\$ 172,674</u>	<u>\$ 17,822,911</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior eight quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Additional Information

Independent Auditor's Report on Additional Information

To the Board of Directors
Bethany Christian Services

We have audited the consolidated financial statements of Bethany Christian Services as of and for the year ended December 31, 2016, and have issued our report thereon dated March 14, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, activities, and the St. Louis and St. Charles schedule of project unit cost are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual entities and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

March 14, 2017

Bethany Christian Services

Consolidating Statement of Financial Position December 31, 2016

	Total	Arkansas	Northern California	Southern California	Colorado	Florida	Gulf Coast
Assets							
Current assets:							
Cash and cash equivalents	\$ 3,384,158	\$ 3,550	\$ (1,819)	\$ 3,618	\$ 5,133	\$ 4,670	\$ (272,185)
Investments	30,713,071	1,071,181	-	347,167	136,322	279,116	-
Receivables - Net	13,214,573	1,950	39,975	73,608	133,832	193,264	52,192
Prepaid expenses and other:							
Prepaid expenses	1,053,788	1,095	3,265	6,319	3,049	1,790	194
Deposits	209,274	-	2,139	5,371	1,600	-	-
Total current assets	48,574,864	1,077,776	43,560	436,083	279,936	478,840	(219,799)
Property and equipment:							
Land and land improvements	2,946,814	-	-	-	-	-	-
Buildings and improvements	19,247,816	-	70,623	-	-	-	-
Furniture and fixtures	7,195,449	-	117,399	6,847	-	-	3,805
Transportation equipment	579,424	-	45,460	-	-	-	-
Construction in progress	1,539,107	-	-	80,000	-	-	-
Total property and equipment	31,508,610	-	233,482	86,847	-	-	3,805
Less accumulated depreciation	(14,094,714)	-	(196,068)	(5,364)	-	-	(1,015)
Net property and equipment	17,413,896	-	37,414	81,483	-	-	2,790
Investment in unconsolidated affiliate	559,813	-	-	-	-	-	-
Total assets	<u>\$ 66,548,573</u>	<u>\$ 1,077,776</u>	<u>\$ 80,974</u>	<u>\$ 517,566</u>	<u>\$ 279,936</u>	<u>\$ 478,840</u>	<u>\$ (217,009)</u>
Liabilities and Net Assets (Deficit)							
Liabilities							
Current liabilities:							
Accounts payable and accrued expenses	\$ 2,662,814	\$ 27,987	\$ (118)	\$ 2,107	\$ 5,154	\$ 14,882	\$ 3,010
Employee compensation and benefits	5,523,726	21,571	80,827	46,630	46,785	47,870	15,739
Deferred adoption fees	2,836,792	25,664	44,433	54,550	42,340	97,528	37,457
Current maturities of long-term note payable	599,103	-	-	-	-	-	-
Total current liabilities	11,622,435	75,222	125,142	103,287	94,279	160,280	56,206
Annuities payable	309,467	-	-	-	-	-	-
Other long-term liabilities -							
Long-term note payable, Net of current maturities	7,993,702	-	-	-	-	-	-
Intercompany obligation	-	8,357	22,398	17,311	17,409	4,665	-
Total long-term liabilities	8,303,169	8,357	22,398	17,311	17,409	4,665	-
Total liabilities	19,925,604	83,579	147,540	120,598	111,688	164,945	56,206
Net Assets (Deficit) - Beginning of year	42,636,635	994,197	(109,077)	487,770	217,645	250,875	(186,588)
Change in Net Assets	3,986,334	-	42,511	(90,802)	(49,397)	63,020	(86,627)
Net Assets (Deficit) - End of year	46,622,969	994,197	(66,566)	396,968	168,248	313,895	(273,215)
Total liabilities and net assets (deficit)	<u>\$ 66,548,573</u>	<u>\$ 1,077,776</u>	<u>\$ 80,974</u>	<u>\$ 517,566</u>	<u>\$ 279,936</u>	<u>\$ 478,840</u>	<u>\$ (217,009)</u>

Bethany Christian Services

Consolidating Statement of Financial Position (Continued)

December 31, 2016

	Georgia	Illinois	Central Indiana	Northwest Iowa	South Central Iowa	Maryland	Michigan
Assets							
Current assets:							
Cash and cash equivalents	\$ 15,100	\$ (95,482)	\$ 11,600	\$ (100,105)	\$ 3,100	\$ 2,500	\$ 155,599
Investments	465,196	-	148,721	-	471,061	457,882	3,691,153
Receivables - Net	934,651	80,715	568,453	4,550	90,475	116,855	6,680,647
Prepaid expenses and other:							
Prepaid expenses	18,157	3,155	6,903	2,400	3,197	13,406	117,015
Deposits	800	1,650	13,943	650	1,000	8,411	24,132
Total current assets	1,433,904	(9,962)	749,620	(92,505)	568,833	599,054	10,668,546
Property and equipment:							
Land and land improvements	-	-	-	-	-	-	-
Buildings and improvements	111,800	-	-	-	24,901	19,670	615,103
Furniture and fixtures	34,857	38,686	6,060	11,605	-	38,019	1,931,385
Transportation equipment	164,202	-	-	-	-	-	360,544
Construction in progress	-	-	-	-	-	-	-
Total property and equipment	310,859	38,686	6,060	11,605	24,901	57,689	2,907,032
Less accumulated depreciation	(130,295)	(28,383)	(404)	(11,605)	(19,403)	(28,301)	(1,871,755)
Net property and equipment	180,564	10,303	5,656	-	5,498	29,388	1,035,277
Investment in unconsolidated affiliate	559,813	-	-	-	-	-	-
Total assets	<u>\$ 2,174,281</u>	<u>\$ 341</u>	<u>\$ 755,276</u>	<u>\$ (92,505)</u>	<u>\$ 574,331</u>	<u>\$ 628,442</u>	<u>\$ 11,703,823</u>
Liabilities and Net Assets (Deficit)							
Liabilities							
Current liabilities:							
Accounts payable and accrued expenses	\$ 16,607	\$ 9,261	\$ 8,755	\$ 255	\$ 4,303	\$ 1,113	\$ 68,705
Employee compensation and benefits	250,849	60,689	123,484	28,000	30,570	94,856	2,161,545
Deferred adoption fees	69,718	82,898	128,721	29,349	48,750	63,528	202,191
Current maturities of long-term note payable	-	-	-	-	-	-	-
Total current liabilities	337,174	152,848	260,960	57,604	83,623	159,497	2,432,441
Annuities payable	-	-	-	-	-	-	-
Other long-term liabilities -							
Long-term note payable, Net of current maturities	-	-	-	-	-	-	-
Intercompany obligation	58,319	29,091	24,717	13,292	10,903	13,393	400,743
Total long-term liabilities	58,319	29,091	24,717	13,292	10,903	13,393	400,743
Total liabilities	395,493	181,939	285,677	70,896	94,526	172,890	2,833,184
Net Assets (Deficit) - Beginning of year	1,613,553	(299,367)	201,177	(157,553)	392,753	166,351	8,645,958
Change in Net Assets	165,235	117,769	268,422	(5,848)	87,052	289,201	224,681
Net Assets (Deficit) - End of year	1,778,788	(181,598)	469,599	(163,401)	479,805	455,552	8,870,639
Total liabilities and net assets (deficit)	<u>\$ 2,174,281</u>	<u>\$ 341</u>	<u>\$ 755,276</u>	<u>\$ (92,505)</u>	<u>\$ 574,331</u>	<u>\$ 628,442</u>	<u>\$ 11,703,823</u>

Bethany Christian Services

Consolidating Statement of Financial Position (Continued) December 31, 2016

	Minnesota	Mississippi	Missouri	Southern New England	Northern New England	New Jersey	North Carolina	Central Pennsylvania
Assets								
Current assets:								
Cash and cash equivalents	\$ (849,690)	\$ 9,837	\$ 3,040	\$ 2,100	\$ 2,200	\$ (85,317)	\$ 6,000	\$ 35,309
Investments	-	902,661	354,295	92,521	14,524	-	573,069	94,371
Receivables - Net	357,692	5,495	35,334	114,232	29,431	89,811	46,598	830,422
Prepaid expenses and other:								
Prepaid expenses	5,873	3,524	11,750	-	100	1,447	7,454	14,673
Deposits	434	-	2,963	-	-	1,199	5,194	6,092
Total current assets	(485,691)	921,517	407,382	208,853	46,255	7,140	638,315	980,867
Property and equipment:								
Land and land improvements	-	-	-	-	-	-	-	-
Buildings and improvements	-	-	-	-	-	-	-	12,334
Furniture and fixtures	14,939	7,949	77,431	6,624	-	10,495	7,808	32,075
Transportation equipment	-	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-	-
Total property and equipment	14,939	7,949	77,431	6,624	-	10,495	7,808	44,409
Less accumulated depreciation	(4,100)	(7,949)	(13,550)	(3,220)	-	(10,495)	(7,808)	(32,599)
Net property and equipment	10,839	-	63,881	3,404	-	-	-	11,810
Investment in unconsolidated affiliate	-	-	-	-	-	-	-	-
Total assets	<u>\$ (474,852)</u>	<u>\$ 921,517</u>	<u>\$ 471,263</u>	<u>\$ 212,257</u>	<u>\$ 46,255</u>	<u>\$ 7,140</u>	<u>\$ 638,315</u>	<u>\$ 992,677</u>
Liabilities and Net Assets (Deficit)								
Liabilities								
Current liabilities:								
Accounts payable and accrued expenses	\$ 972	\$ 5,944	\$ 9,849	\$ 3,271	\$ 165	\$ 1,979	\$ (340)	\$ 16,880
Employee compensation and benefits	51,912	42,232	35,627	50,022	24,842	57,868	51,979	179,881
Deferred adoption fees	50,414	41,038	63,923	41,800	27,742	66,132	67,949	112,614
Current maturities of long-term note payable	-	-	-	-	-	-	-	-
Total current liabilities	103,298	89,214	109,399	95,093	52,749	125,979	119,588	309,375
Annuities payable	-	-	-	-	-	-	-	-
Other long-term liabilities -								
Long-term note payable, Net of current maturities	-	-	-	-	-	-	-	-
Intercompany obligation	8,746	12,510	9,110	6,159	3,257	11,129	11,824	13,795
Total long-term liabilities	8,746	12,510	9,110	6,159	3,257	11,129	11,824	13,795
Total liabilities	112,044	101,724	118,509	101,252	56,006	137,108	131,412	323,170
Net Assets (Deficit) - Beginning of year	(396,681)	579,974	310,530	35,395	(5,316)	(55,515)	444,902	663,096
Change in Net Assets	(190,215)	239,819	42,224	75,610	(4,435)	(74,453)	62,001	6,411
Net Assets (Deficit) - End of year	(586,896)	819,793	352,754	111,005	(9,751)	(129,968)	506,903	669,507
Total liabilities and net assets (deficit)	<u>\$ (474,852)</u>	<u>\$ 921,517</u>	<u>\$ 471,263</u>	<u>\$ 212,257</u>	<u>\$ 46,255</u>	<u>\$ 7,140</u>	<u>\$ 638,315</u>	<u>\$ 992,677</u>

Bethany Christian Services

Consolidating Statement of Financial Position (Continued) December 31, 2016

	Greater Delaware Valley	Western Pennsylvania	South Carolina	Eastern South Dakota	Western South Dakota	Greater Chattanooga	East Tennessee	Middle Tennessee
Assets								
Current assets:								
Cash and cash equivalents	\$ (772,334)	\$ (499,106)	\$ 4,000	\$ 3,050	\$ 2,500	\$ (148,756)	\$ 4,000	\$ (553,362)
Investments	-	-	600,612	124,611	344,084	-	560,358	-
Receivables - Net	1,573,185	142,304	(5,304)	41,997	59,925	58,305	20,053	52,746
Prepaid expenses and other:								
Prepaid expenses	9,121	6,145	4,450	5,800	-	2,705	3,935	2,575
Deposits	2,093	1,500	800	-	-	2,550	2,000	2,466
Total current assets	812,065	(349,157)	604,558	175,458	406,509	(85,196)	590,346	(495,575)
Property and equipment:								
Land and land improvements	-	-	-	-	-	-	-	-
Buildings and improvements	20,695	-	-	-	-	34,847	-	-
Furniture and fixtures	97,276	23,014	7,384	-	-	-	5,659	12,009
Transportation equipment	-	-	-	-	-	9,218	-	-
Construction in progress	-	-	-	-	-	-	-	-
Total property and equipment	117,971	23,014	7,384	-	-	44,065	5,659	12,009
Less accumulated depreciation	(63,563)	(16,733)	(7,384)	-	-	(18,489)	(5,659)	(6,034)
Net property and equipment	54,408	6,281	-	-	-	25,576	-	5,975
Investment in unconsolidated affiliate	-	-	-	-	-	-	-	-
Total assets	<u>\$ 866,473</u>	<u>\$ (342,876)</u>	<u>\$ 604,558</u>	<u>\$ 175,458</u>	<u>\$ 406,509</u>	<u>\$ (59,620)</u>	<u>\$ 590,346</u>	<u>\$ (489,600)</u>
Liabilities and Net Assets (Deficit)								
Liabilities								
Current liabilities:								
Accounts payable and accrued expenses	\$ 13,535	\$ 30	\$ 3,473	\$ 1,691	\$ 208	\$ 1,325	\$ 2,911	\$ 589
Employee compensation and benefits	213,888	59,492	58,549	16,220	25,927	20,464	27,630	23,578
Deferred adoption fees	86,825	63,459	97,944	16,903	32,131	43,271	86,504	71,064
Current maturities of long-term note payable	-	-	-	-	-	-	-	-
Total current liabilities	314,248	122,981	159,966	34,814	58,266	65,060	117,045	95,231
Annuities payable	-	-	-	-	-	-	-	-
Other long-term liabilities -								
Long-term note payable, Net of current maturities	-	-	-	-	-	-	-	-
Intercompany obligation	54,216	8,780	19,575	3,440	2,453	7,569	5,978	5,866
Total long-term liabilities	54,216	8,780	19,575	3,440	2,453	7,569	5,978	5,866
Total liabilities	368,464	131,761	179,541	38,254	60,719	72,629	123,023	101,097
Net Assets (Deficit) - Beginning of year	428,230	(290,519)	336,951	221,198	260,791	(225,534)	364,127	(639,975)
Change in Net Assets	69,779	(184,118)	88,066	(83,994)	84,999	93,285	103,196	49,278
Net Assets (Deficit) - End of year	498,009	(474,637)	425,017	137,204	345,790	(132,249)	467,323	(590,697)
Total liabilities and net assets (deficit)	<u>\$ 866,473</u>	<u>\$ (342,876)</u>	<u>\$ 604,558</u>	<u>\$ 175,458</u>	<u>\$ 406,509</u>	<u>\$ (59,620)</u>	<u>\$ 590,346</u>	<u>\$ (489,600)</u>

Bethany Christian Services

Consolidating Statement of Financial Position (Continued) December 31, 2016

	West Tennessee	Virginia	Washington	Wisconsin	Bethany Christian Services Global LLC	Bethany's Thrift Store	Corporate	Bethany Christian Foundation LLC
Assets								
Current assets:								
Cash and cash equivalents	\$ (348,016)	\$ (106,483)	\$ (961,889)	\$ 3,625	\$ (137,806)	\$ 5,178	\$ 7,942,516	\$ 88,283
Investments	-	-	-	204,977	-	23,710	412,830	19,342,649
Receivables - Net	25,280	65,489	226,818	81,670	391,132	-	791	-
Prepaid expenses and other:								
Prepaid expenses	4,101	8,508	7,237	5,000	20,905	10,539	738,001	-
Deposits	3,454	7,579	5,621	3,403	-	-	102,230	-
Total current assets	(315,181)	(24,907)	(722,213)	298,675	1,846,296	39,427	8,175,582	18,879,653
Property and equipment:								
Land and land improvements	-	-	-	-	-	-	2,946,814	-
Buildings and improvements	-	6,435	14,670	-	-	30,203	18,286,535	-
Furniture and fixtures	10,087	12,768	42,563	38,041	231,073	42,410	4,327,181	-
Transportation equipment	-	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	1,459,107	-
Total property and equipment	10,087	19,203	57,233	38,041	231,073	72,613	27,019,637	-
Less accumulated depreciation	(5,350)	(15,508)	(56,011)	(30,868)	(216,303)	(25,048)	(11,255,450)	-
Net property and equipment	4,737	3,695	1,222	7,173	14,770	47,565	15,764,187	-
Investment in unconsolidated affiliate	-	-	-	-	-	-	-	-
Total assets	<u>\$ (310,444)</u>	<u>\$ (21,212)</u>	<u>\$ (720,991)</u>	<u>\$ 305,848</u>	<u>\$ 1,861,066</u>	<u>\$ 86,992</u>	<u>\$ 23,939,769</u>	<u>\$ 18,879,653</u>
Liabilities and Net Assets (Deficit)								
Liabilities								
Current liabilities:								
Accounts payable and accrued expenses	\$ 149	\$ 288	\$ 2,613	\$ (152)	\$ 430,569	\$ 2,705	\$ 2,002,139	\$ -
Employee compensation and benefits	23,245	61,421	63,854	71,016	76,454	18,644	1,259,566	-
Deferred adoption fees	23,750	141,286	110,589	111,220	544,407	-	8,700	-
Current maturities of long-term note payable	-	-	-	-	-	-	599,103	-
Total current liabilities	47,144	202,995	177,056	182,084	1,051,430	21,349	3,869,508	-
Annuities payable	-	-	-	-	-	-	309,467	-
Other long-term liabilities -								
Long-term note payable, Net of current maturities	-	-	-	-	-	-	7,993,702	-
Intercompany obligation	10,864	28,668	26,253	21,788	41,753	-	(934,331)	-
Total long-term liabilities	10,864	28,668	26,253	21,788	41,753	-	7,368,838	-
Total liabilities	58,008	231,663	203,309	203,872	1,093,183	21,349	11,238,346	-
Net Assets (Deficit) - Beginning of year	(489,305)	(202,163)	(992,503)	27,246	771,543	7,429	11,442,130	17,822,910
Change in Net Assets	120,853	(50,712)	68,203	74,730	(3,660)	58,214	1,259,293	1,056,743
Net Assets (Deficit) - End of year	<u>(368,452)</u>	<u>(252,875)</u>	<u>(924,300)</u>	<u>101,976</u>	<u>767,883</u>	<u>65,643</u>	<u>12,701,423</u>	<u>18,879,653</u>
Total liabilities and net assets (deficit)	<u>\$ (310,444)</u>	<u>\$ (21,212)</u>	<u>\$ (720,991)</u>	<u>\$ 305,848</u>	<u>\$ 1,861,066</u>	<u>\$ 86,992</u>	<u>\$ 23,939,769</u>	<u>\$ 18,879,653</u>

Bethany Christian Services

Consolidating Statement of Activities Year Ended December 31, 2016

	Total	Arkansas	Northern California	Southern California	Colorado	Florida	Gulf Coast
Operating Revenue and Other Support							
Contributions	\$ 15,946,556	\$ 232,177	\$ 828,059	\$ 132,846	\$ 184,959	\$ 182,452	\$ 58,134
Child support	68,591,691	-	-	-	1,019,548	351,045	-
Service fees	22,586,358	236,477	396,107	465,776	214,333	626,332	232,545
Investments and other	4,221,731	-	1,809	16,010	18,994	10,152	12,497
Total operating revenue and other support	111,346,336	468,654	1,225,975	614,632	1,437,834	1,169,981	303,176
Operating Expenses							
Salaries	46,373,377	194,748	505,855	280,953	448,829	468,932	153,091
Fringes	10,425,496	32,711	92,259	46,822	75,678	75,780	39,957
Taxes	3,409,310	14,644	37,487	21,051	33,419	35,187	10,899
Professional fees	4,501,053	3,304	15,201	9,539	37,007	50,399	18,336
Supplies	801,643	3,147	7,191	4,008	3,895	5,419	757
Telephone	1,010,093	8,106	21,439	10,453	11,990	13,007	5,271
Postage	504,165	4,465	7,535	7,124	2,663	4,840	1,122
Occupancy	5,044,221	15,342	91,562	79,999	38,672	30,511	25,196
Printing	705,055	2,825	5,795	3,457	2,977	8,234	1,913
Information technology	1,411,926	11,030	12,010	5,872	17,168	16,857	4,466
Equipment and furnishings	276,577	2,501	4,768	155	618	-	-
Travel	3,625,740	17,855	33,560	30,659	33,201	68,931	16,150
Conferences and meetings	922,489	3,036	4,082	6,151	4,584	12,465	2,361
Advertising	2,199,842	11,298	9,130	37,796	17,258	37,901	13,674
Special assistance	20,152,251	39,684	62,773	24,576	597,630	78,274	30,656
Overseas contributions	1,577,402	-	-	-	-	-	-
Program development	3,895	-	-	-	-	(10)	-
Payment processing fees	395,005	6,487	8,148	9,439	4,954	16,581	4,205
Educational and promotional materials	211,568	1,389	176	37	-	203	61
Fundraising event costs	923,504	26,636	65,746	7,969	8,823	13,968	6,540
Bad debt	218,462	-	(1,000)	2,445	5,500	-	750
Miscellaneous	1,516,244	2,421	7,718	10,930	6,708	15,539	1,862
Depreciation	1,150,684	-	23,385	2,036	143	-	761
Support services	-	67,025	168,644	103,963	135,514	153,943	51,775
Total operating expenses	107,360,002	468,654	1,183,464	705,434	1,487,231	1,106,961	389,803
Change in Net Assets from							
Operating Activities	\$ 3,986,334	\$ -	\$ 42,511	\$ (90,802)	\$ (49,397)	\$ 63,020	\$ (86,627)

Bethany Christian Services

Consolidating Statement of Activities (Continued) Year Ended December 31, 2016

	Georgia	Illinois	Central Indiana	Northwest Iowa	South Central Iowa	Maryland	Michigan
Operating Revenue and Other Support							
Contributions	\$ 582,714	\$ 355,690	\$ 233,271	\$ 301,238	\$ 377,523	\$ 237,274	\$ 3,086,507
Child support	6,081,182	26,847	1,897,837	12,286	-	1,071,721	48,574,484
Service fees	1,407,849	585,382	675,926	184,906	394,050	570,698	3,525,260
Investments and other	136,967	8,153	4,878	19,363	36,318	950	778,837
Total operating revenue and other support	8,208,712	976,072	2,811,912	517,793	807,891	1,880,643	55,965,088
Operating Expenses							
Salaries	2,537,265	350,828	921,437	223,882	282,013	677,629	21,499,952
Fringes	532,644	96,661	189,856	48,324	91,935	94,149	5,441,587
Taxes	186,348	25,316	67,720	17,062	19,872	50,470	1,585,601
Professional fees	703,003	8,372	23,238	24,613	46,899	20,535	701,306
Supplies	29,780	8,650	3,124	1,708	3,620	9,648	499,412
Telephone	80,684	5,346	31,932	12,168	12,995	16,848	439,447
Postage	23,345	3,416	4,967	2,454	1,843	5,381	67,015
Occupancy	335,672	27,876	74,060	32,448	46,624	194,866	2,601,998
Printing	21,834	4,264	7,295	3,473	2,160	5,605	86,328
Information technology	80,780	9,522	21,730	7,244	8,126	30,130	717,046
Equipment and furnishings	23,453	2,239	3,285	1,097	4,325	1,799	132,266
Travel	178,169	33,076	96,261	19,350	14,434	40,772	1,560,378
Conferences and meetings	69,436	5,596	10,128	4,072	6,756	8,457	317,600
Advertising	110,624	33,621	108,006	13,380	14,723	107,488	428,470
Special assistance	1,977,205	94,767	662,674	11,586	31,951	30,099	12,424,561
Overseas contributions	-	-	-	-	-	-	-
Program development	-	-	-	(250)	-	-	118
Payment processing fees	11,904	9,887	13,263	5,387	8,784	14,677	42,008
Educational and promotional materials	1,658	175	3,810	185	27	120	14,834
Fundraising event costs	37,402	10,498	6,066	14,098	17,502	25,485	179,679
Bad debt	123,766	-	4,379	625	-	5,600	36,852
Miscellaneous	28,111	7,753	6,391	1,648	1,998	6,979	118,871
Depreciation	30,885	2,965	487	-	46	10,783	273,561
Support services	919,509	117,475	283,381	79,087	104,206	233,922	6,571,517
Total operating expenses	8,043,477	858,303	2,543,490	523,641	720,839	1,591,442	55,740,407
Change in Net Assets from Operating Activities	\$ 165,235	\$ 117,769	\$ 268,422	\$ (5,848)	\$ 87,052	\$ 289,201	\$ 224,681

Bethany Christian Services

Consolidating Statement of Activities (Continued) Year Ended December 31, 2016

	Minnesota	Mississippi	Missouri	Southern New England	Northern New England	New Jersey	North Carolina	Central Pennsylvania
Operating Revenue and Other Support								
Contributions	\$ 172,454	\$ 676,907	\$ 151,095	\$ 348,727	\$ 262,281	\$ 199,790	\$ 140,865	\$ 412,693
Child support	694,988	29,400	170,946	300,573	53,000	319,718	174,665	2,325,257
Service fees	268,003	217,073	566,374	282,197	178,396	680,773	678,278	1,320,053
Investments and other	3,615	123,786	2,732	23,085	-	7,158	23,193	50,787
Total operating revenue and other support	1,139,060	1,047,166	891,147	954,582	493,677	1,207,439	1,017,001	4,108,790
Operating Expenses								
Salaries	533,134	321,252	303,375	420,460	248,840	644,561	339,500	1,646,696
Fringes	48,803	108,188	66,255	80,105	53,705	88,429	86,779	317,729
Taxes	40,400	23,012	22,493	30,937	18,323	48,344	24,832	122,787
Professional fees	5,896	7,231	5,367	35,615	11,294	45,246	43,053	31,852
Supplies	7,441	2,426	4,897	3,210	1,330	4,162	4,396	32,093
Telephone	13,081	8,067	9,209	8,020	6,631	15,417	13,679	46,395
Postage	5,478	4,347	4,267	2,633	1,503	7,356	3,363	10,816
Occupancy	81,603	54,875	46,199	18,533	3,993	50,007	71,314	162,933
Printing	9,322	5,321	4,782	3,146	1,561	4,012	4,331	20,902
Information technology	24,264	7,535	9,404	12,910	6,521	18,366	17,347	68,871
Equipment and furnishings	1,950	1,761	-	1,433	145	976	10,905	6,738
Travel	35,592	12,652	33,239	48,723	24,129	51,040	28,744	109,512
Conferences and meetings	10,957	3,835	8,223	5,503	2,569	1,882	2,592	52,559
Advertising	12,681	38,098	51,197	11,099	12,870	37,244	44,253	94,276
Special assistance	279,418	23,496	132,180	25,007	10,998	34,727	96,728	843,879
Overseas contributions	-	-	-	-	-	-	-	-
Program development	-	-	-	-	-	-	-	-
Payment processing fees	9,257	3,241	9,318	5,388	3,412	10,285	9,594	8,864
Educational and promotional materials	348	28	1,471	277	152	19	123	8,101
Fundraising event costs	32,708	61,212	12,539	29,119	10,813	23,811	19,809	27,968
Bad debt	10,775	(400)	-	-	-	1,039	-	253
Miscellaneous	4,311	2,675	8,693	7,476	5,352	3,344	1,825	26,319
Depreciation	2,299	2,046	7,743	1,104	-	-	-	300
Support services	159,557	116,449	108,072	128,274	73,971	191,625	131,833	462,536
Total operating expenses	1,329,275	807,347	848,923	878,972	498,112	1,281,892	955,000	4,102,379
Change in Net Assets from Operating Activities	\$ (190,215)	\$ 239,819	\$ 42,224	\$ 75,610	\$ (4,435)	\$ (74,453)	\$ 62,001	\$ 6,411

Bethany Christian Services

Consolidating Statement of Activities (Continued) Year Ended December 31, 2016

	Greater Delaware Valley	Western Pennsylvania	South Carolina	Eastern South Dakota	Western South Dakota	Greater Chattanooga	East Tennessee	Middle Tennessee
Operating Revenue and Other Support								
Contributions	\$ 587,102	\$ 98,043	\$ 314,893	\$ 178,545	\$ 229,654	\$ 253,395	\$ 313,061	\$ 137,176
Child support	3,978,934	272,663	-	28,525	5,950	8,918	4,242	15,042
Service fees	1,180,481	926,375	710,272	69,882	223,079	317,681	463,579	370,453
Investments and other	6,220	5,683	-	705	2,978	12,030	1,207	75
Total operating revenue and other support	5,752,737	1,302,764	1,025,165	277,657	461,661	592,024	782,089	522,746
Operating Expenses								
Salaries	1,790,074	631,642	405,276	148,140	174,443	185,382	283,171	188,068
Fringes	303,193	101,842	102,894	33,541	21,235	48,455	43,244	19,695
Taxes	132,219	46,981	29,413	10,247	13,302	13,598	21,290	14,219
Professional fees	506,447	17,639	14,523	12,328	10,628	9,450	13,663	21,963
Supplies	18,191	11,636	2,045	2,129	3,211	2,435	5,327	5,031
Telephone	41,446	16,812	13,028	5,352	7,084	3,901	5,798	6,746
Postage	13,288	6,941	6,750	2,017	2,206	2,210	3,824	2,080
Occupancy	173,631	88,150	66,824	24,829	16,158	39,341	47,871	42,759
Printing	11,408	16,297	5,322	3,426	1,697	4,077	4,537	3,023
Information technology	107,523	20,996	9,260	2,962	7,687	6,042	9,182	6,767
Equipment and furnishings	15,923	5,322	960	151	1,514	-	5,961	1,356
Travel	97,754	59,921	26,681	16,571	9,545	16,094	23,985	20,085
Conferences and meetings	16,008	8,730	3,326	2,474	3,488	9,951	7,235	8,949
Advertising	86,574	46,620	23,637	22,160	15,026	24,798	25,897	10,342
Special assistance	1,708,921	174,140	59,955	2,238	10,032	33,265	51,645	9,534
Overseas contributions	-	-	-	-	-	-	-	-
Program development	-	-	-	-	-	-	-	-
Payment processing fees	8,046	11,326	12,144	2,638	5,028	6,974	9,044	6,627
Educational and promotional materials	1,241	645	234	144	125	1,940	446	2,414
Fundraising event costs	74,620	18,306	15,554	11,105	18,291	10,589	17,555	21,620
Bad debt	1,619	(4,000)	5,613	2,500	-	-	-	4,000
Miscellaneous	18,062	3,795	2,280	2,460	1,899	4,120	4,152	6,590
Depreciation	5,260	1,313	-	-	-	2,695	377	2,635
Support services	551,510	201,828	131,380	54,239	54,063	73,422	94,689	68,965
Total operating expenses	5,682,958	1,486,882	937,099	361,651	376,662	498,739	678,893	473,468
Change in Net Assets from Operating Activities	\$ 69,779	\$ (184,118)	\$ 88,066	\$ (83,994)	\$ 84,999	\$ 93,285	\$ 103,196	\$ 49,278

Bethany Christian Services

Consolidating Statement of Activities (Continued) Year Ended December 31, 2016

	West Tennessee	Virginia	Washington	Wisconsin	Bethany Christian Services Global LLC	Bethany's Thrift Store	Corporate	Bethany Christian Foundation LLC
Operating Revenue and Other Support								
Contributions	\$ 312,851	\$ 173,893	\$ 414,403	\$ 304,237	\$ 1,450,494	\$ -	\$ 1,904,515	\$ 116,638
Child support	(212)	183,191	599,491	391,450	-	-	-	-
Service fees	225,594	1,077,978	934,498	565,389	1,833,474	-	(19,165)	-
Investments and other	-	1,995	12,850	36,357	56,929	437,111	1,378,397	989,910
Total operating revenue and other support	538,233	1,437,057	1,961,242	1,297,433	3,340,897	437,111	3,263,747	1,106,548
Operating Expenses								
Salaries	152,194	638,362	611,050	559,431	720,883	157,001	6,725,028	-
Fringes	35,088	118,058	129,551	190,150	193,186	20,393	1,356,615	-
Taxes	11,048	47,269	44,222	40,680	52,488	12,007	484,123	-
Professional fees	24,875	19,352	127,169	14,965	105,953	867	1,704,120	49,805
Supplies	2,535	7,797	9,459	8,503	10,837	8,700	63,493	-
Telephone	3,855	19,364	18,472	7,653	8,404	1,429	60,564	-
Postage	2,385	9,206	9,315	6,179	51,303	353	210,175	-
Occupancy	54,312	124,092	98,178	67,691	58,120	59,981	(1,999)	-
Printing	3,095	7,974	5,841	8,164	2,622	1,137	416,898	-
Information technology	6,127	17,953	26,635	14,450	20,967	3,125	45,051	-
Equipment and furnishings	960	2,578	1,500	1,345	953	-	37,640	-
Travel	8,300	64,810	73,565	58,696	98,251	20,695	544,360	-
Conferences and meetings	2,492	9,690	7,958	4,278	7,287	1,419	286,360	-
Advertising	11,987	108,175	47,034	10,241	81,732	21,261	419,271	-
Special assistance	14,980	25,932	360,602	9,874	38,405	-	139,859	-
Overseas contributions	-	-	-	-	1,327,835	-	249,567	-
Program development	-	-	-	-	4,037	-	-	-
Payment processing fees	3,537	23,463	26,562	10,801	39,262	9,233	5,237	-
Educational and promotional materials	205	632	815	269	1,374	-	167,890	-
Fundraising event costs	5,129	13,038	40,791	14,620	457	-	23,438	-
Bad debt	8,085	(500)	1,000	-	9,561	-	-	-
Miscellaneous	1,764	2,612	21,324	4,699	226,211	7,731	931,621	-
Depreciation	1,723	763	5,151	2,835	6,358	7,858	755,172	-
Support services	62,704	227,149	226,845	187,179	278,071	45,707	(12,620,029)	-
Total operating expenses	417,380	1,487,769	1,893,039	1,222,703	3,344,557	378,897	2,004,454	49,805
Change in Net Assets from Operating Activities	\$ 120,853	\$ (50,712)	\$ 68,203	\$ 74,730	\$ (3,660)	\$ 58,214	\$ 1,259,293	\$ 1,056,743

Bethany Christian Services

St. Louis and St. Charles Schedule of Project Unit Cost Year Ended December 31, 2016

	Total Expenses	St. Louis County Expenses	St. Charles County Expenses
Project Expenses			
Salaries	\$ 49,334	\$ 36,512	\$ 3,227
Fringes	15,964	11,815	1,044
Outside services - Contracted	1,485	1,099	97
Supplies	3,246	2,402	212
Telephone	1,436	1,063	94
Telephone, Internet access	647	479	42
Printing	734	543	48
Postage	52	38	3
Rent	10,668	7,895	698
Utilities	2,198	1,627	144
Advertising	17,000	12,582	1,112
Computers, hardware	-	-	-
Computers, software	840	622	55
Travel	4,425	3,275	289
Client assistance	271	201	18
Conferences	-	-	-
Staff, board, and group meetings	599	443	39
Special events	257	190	17
Memberships and dues	3,654	2,704	239
Equipment and furnishings	-	-	-
Support services - Nonbillable	7,579	5,609	496
Miscellaneous	647	479	42
Total program services	121,036	89,578	7,916
Less: Not applicable to County: Support services - Nonbillable	7,579	5,609	496
Less: Not applicable to County: Branch fundraising	375	278	25
Total direct project expenses	113,082	83,691	7,395
Add: Indirect (administrative) expenses: Support services - Billable	12,015	8,892	786
Total project expenses	<u>\$ 125,097</u>	<u>\$ 92,583</u>	<u>\$ 8,181</u>
Total units served	<u>2,324</u>	<u>1,720</u>	<u>152</u>
Cost per unit	<u>\$ 54</u>	<u>\$ 54</u>	<u>\$ 54</u>