

Bethany Christian Services

**Consolidated Financial Report
with Additional Information
December 31, 2014**

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, 2014 and 2013 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, 2014 and 2013 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 12, 2015 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 & Moran, PLLC

March 12, 2015

Bethany Christian Services

Consolidated Statement of Financial Position

	December 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,154,991	\$ 4,744,076
Investments (Note 2)	29,705,562	28,210,961
Receivables - Net	10,242,440	8,718,573
Prepaid expenses and other current assets:		
Prepaid expenses	908,485	1,117,704
Deposits	250,912	208,838
Total current assets	44,262,390	43,000,152
Property and Equipment - Net (Note 3)	14,808,669	13,836,542
Investment in Unconsolidated Affiliate (Note 2)	607,351	616,958
Total assets	\$ 59,678,410	\$ 57,453,652
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,362,448	\$ 2,379,659
Current portion of long-term debt (Note 6)	605,602	585,298
Deferred revenue	2,612,039	2,545,098
Accrued employee compensation and benefits	4,843,428	4,456,551
Total current liabilities	11,423,517	9,966,606
Annuities Payable (Note 4)	323,259	342,045
Long-term Debt - Net of current portion (Note 6)	6,697,706	8,303,241
Total liabilities	18,444,482	18,611,892
Net Assets		
Unrestricted:		
Undesignated	22,561,555	20,325,157
Board-designated (Note 9)	17,860,092	17,678,689
Temporarily restricted (Note 9)	546,879	575,200
Permanently restricted (Note 9)	265,402	262,714
Total net assets	41,233,928	38,841,760
Total liabilities and net assets	\$ 59,678,410	\$ 57,453,652

Bethany Christian Services

Consolidated Statement of Activities and Changes in Net Assets

	Year Ended							
	December 31, 2014				December 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Contributions	\$ 15,172,603	\$ -	\$ 1,975	\$ 15,174,578	\$ 13,158,680	\$ -	\$ 2,185	\$ 13,160,865
Child support	50,866,214	-	-	50,866,214	47,711,446	-	-	47,711,446
Service fees	27,456,302	-	-	27,456,302	28,527,680	-	-	28,527,680
Investments and other	1,615,883	29,281	713	1,645,877	4,486,626	228,679	5,149	4,720,454
Total revenue and support	95,111,002	29,281	2,688	95,142,971	93,884,432	228,679	7,334	94,120,445
Net Assets Released from Restrictions	57,602	(57,602)	-	-	81,415	(81,415)	-	-
Total revenue, support, and net assets released from restrictions	95,168,604	(28,321)	2,688	95,142,971	93,965,847	147,264	7,334	94,120,445
Expenses								
Program services:								
Adoption	23,543,081	-	-	23,543,081	23,313,846	-	-	23,313,846
Foster care	22,157,517	-	-	22,157,517	21,284,437	-	-	21,284,437
International social services	633,748	-	-	633,748	797,651	-	-	797,651
Refugee services	14,405,557	-	-	14,405,557	11,124,822	-	-	11,124,822
Counseling	9,811,412	-	-	9,811,412	9,913,388	-	-	9,913,388
Residential treatment	2,686,193	-	-	2,686,193	2,433,288	-	-	2,433,288
Sponsorship	396,819	-	-	396,819	490,748	-	-	490,748
Other programs	4,701,080	-	-	4,701,080	4,546,477	-	-	4,546,477
Total program services	78,335,407	-	-	78,335,407	73,904,657	-	-	73,904,657
Support services:								
Management and general	9,486,145	-	-	9,486,145	9,974,352	-	-	9,974,352
Fundraising	4,929,251	-	-	4,929,251	4,247,568	-	-	4,247,568
Total expenses	92,750,803	-	-	92,750,803	88,126,577	-	-	88,126,577
Increase (Decrease) in Net Assets	2,417,801	(28,321)	2,688	2,392,168	5,839,270	147,264	7,334	5,993,868
Net Assets - Beginning of year	38,003,846	575,200	262,714	38,841,760	32,164,576	427,936	255,380	32,847,892
Net Assets - End of year	\$ 40,421,647	\$ 546,879	\$ 265,402	\$ 41,233,928	\$ 38,003,846	\$ 575,200	\$ 262,714	\$ 38,841,760

Bethany Christian Services

Consolidated Statement of Functional Expenses Year Ended December 31, 2014

	Adoption	Foster Care	International Social Services	Refugee Services	Counseling	Residential Treatment	Sponsorship	Other Programs	Management and General	Fundraising	Total
Operating Expenses											
Salaries	\$ 11,987,775	\$ 8,196,800	\$ 52,664	\$ 6,120,297	\$ 5,107,216	\$ 1,535,878	\$ 42,638	\$ 2,203,413	\$ 4,684,505	\$ 1,516,865	\$ 41,448,051
Fringes	2,706,932	1,887,251	7,318	1,475,933	1,074,907	370,764	9,635	534,818	822,985	331,969	9,222,512
Taxes	947,485	577,558	3,887	439,246	344,616	110,845	3,220	197,798	333,129	110,027	3,067,811
Professional fees	890,698	244,699	4,292	189,503	348,657	32,553	12,450	330,868	1,088,701	1,187,549	4,329,970
Supplies	238,988	154,295	2,516	113,696	82,981	37,124	133	43,043	67,966	18,938	759,680
Telephone	402,123	185,884	759	115,027	134,424	18,399	32	78,097	48,405	20,185	1,003,335
Postage	242,452	39,645	33	8,693	20,258	1,374	692	26,590	105,446	77,020	522,203
Occupancy	1,652,200	849,068	9,245	682,499	399,344	93,575	-	265,885	335,416	74,426	4,361,658
Printing	154,804	40,933	991	14,689	28,313	1,467	561	12,944	63,241	103,769	421,712
Information technology	250,541	163,084	1,436	148,331	65,938	22,620	959	67,716	380,986	13,805	1,115,416
Equipment and furnishings	45,253	34,426	11	66,260	10,970	13,333	-	8,683	17,012	1,665	197,613
Travel	932,907	838,579	33,545	466,998	506,577	48,064	57	269,187	328,235	118,929	3,543,078
Conferences and meetings	157,238	131,787	921	76,043	50,906	7,408	-	141,136	189,123	207,188	961,750
Advertising	676,497	507,534	-	62,991	418,554	36	-	65,557	244,011	50,547	2,025,727
Special assistance	803,215	8,017,796	6,185	4,317,693	1,110,256	318,568	1,789	132,582	1,415	9	14,709,508
Overseas contributions	643,805	-	445,627	-	-	-	313,252	52,732	-	-	1,455,416
Program development	36,673	7,724	11,228	2,737	3,343	-	6,613	8,262	70,674	395	147,649
Payment processing fees	281,206	330	514	177	5,953	-	3,627	55,210	2,102	1,991	351,110
Educational and promotional materials	32,463	12,988	12	8,383	13,616	233	-	8,178	90,472	4,300	170,645
Miscellaneous fund raising	-	-	-	-	-	-	-	-	-	932,465	932,465
Bad debt	30,396	4,567	-	85	47,340	-	-	192	-	-	82,580
Miscellaneous	202,646	135,812	48,203	23,045	14,199	9,727	1,083	78,842	319,224	32,730	865,511
Depreciation	226,784	126,757	4,361	73,231	23,044	64,225	78	119,347	293,097	124,479	1,055,403
Total operating expenses	\$ 23,543,081	\$ 22,157,517	\$ 633,748	\$ 14,405,557	\$ 9,811,412	\$ 2,686,193	\$ 396,819	\$ 4,701,080	\$ 9,486,145	\$ 4,929,251	\$ 92,750,803

Bethany Christian Services

Consolidated Statement of Functional Expenses Year Ended December 31, 2013

	Adoption	Foster Care	International Social Services	Refugee Services	Counseling	Residential Treatment	Sponsorship	Other Programs	Management and General	Fundraising	Total
Operating Expenses											
Salaries	\$ 12,745,123	\$ 7,757,458	\$ 147,781	\$ 4,485,907	\$ 5,489,618	\$ 1,485,071	\$ 85,000	\$ 2,516,801	\$ 4,501,856	\$ 1,132,039	\$ 40,346,654
Fringes	1,579,639	1,784,674	31,806	1,023,486	1,113,686	186,181	22,160	136,174	1,540,528	569,950	7,988,284
Taxes	1,001,513	544,240	9,332	315,120	363,990	101,391	3,996	243,915	325,601	81,385	2,990,483
Professional fees	712,268	186,911	(2,934)	162,240	354,118	36,592	7,806	259,803	1,362,899	904,172	3,983,875
Supplies	254,932	128,929	2,935	85,475	88,932	32,045	198	27,048	96,909	16,124	733,527
Telephone	413,042	166,671	1,158	82,716	132,543	11,200	161	68,674	58,331	19,329	953,825
Postage	262,408	43,953	537	9,604	21,624	580	2,202	15,600	107,923	29,115	493,546
Occupancy	1,730,539	759,544	18,215	471,487	401,167	97,337	-	219,404	330,359	63,432	4,091,484
Printing	155,116	48,467	342	25,230	27,005	420	2,376	43,568	98,750	79,563	480,837
Information technology	186,997	159,272	1,892	149,057	68,871	28,128	8,457	101,614	268,633	11,993	984,914
Equipment and furnishings	51,231	28,510	4	49,046	13,229	24,651	-	15,269	29,733	733	212,406
Travel	1,008,412	833,101	32,667	492,375	541,017	54,419	10,489	254,230	322,727	115,438	3,664,875
Conferences and meetings	201,420	128,331	144	51,168	56,138	5,877	390	207,800	141,470	11,950	804,688
Advertising	734,423	209,287	-	60,665	285,551	-	959	50,491	183,743	27,198	1,552,317
Special assistance	468,311	8,224,541	7,830	3,471,108	778,961	304,885	1,283	85,542	198	-	13,342,659
Overseas contributions	730,573	-	508,117	-	-	-	330,986	3,250	2,500	48	1,575,474
Program development	60,296	9,560	8,602	355	2,128	27	-	12,961	22,501	1,815	118,245
Payment processing fees	349,334	15	-	354	2,441	-	4,432	9,245	6,465	3,055	375,341
Educational and promotional materials	43,358	14,544	344	7,867	10,724	3,866	2,194	9,231	119,663	11,789	223,580
Miscellaneous fund raising	-	-	-	-	-	-	-	-	-	1,005,322	1,005,322
Bad debt	10,013	44,867	-	85	55,388	-	-	866	-	-	111,219
Miscellaneous	378,681	82,858	22,641	41,027	78,792	7,936	7,526	185,890	161,074	24,580	991,005
Depreciation	236,217	128,704	6,238	140,450	27,465	52,682	133	79,101	292,489	138,538	1,102,017
Total operating expenses	\$ 23,313,846	\$ 21,284,437	\$ 797,651	\$ 11,124,822	\$ 9,913,388	\$ 2,433,288	\$ 490,748	\$ 4,546,477	\$ 9,974,352	\$ 4,247,568	\$ 88,126,577

Bethany Christian Services

Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2014	December 31, 2013
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,392,168	\$ 5,993,868
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	1,055,403	1,102,017
Loss on sale of property and equipment	20,574	27,338
Permanently restricted contributions received	(1,975)	(2,185)
Bad debt expense	(82,580)	(111,219)
Net realized and unrealized gains on investments	(30,959)	(3,304,136)
Earnings on unconsolidated investment	(54,393)	(45,801)
Pension net periodic benefit gain	-	(1,153,916)
Net present value adjustment of annuities payable	23,417	153
Changes in operating assets and liabilities which (used) provided cash:		
Receivables	(1,441,287)	1,864,386
Prepaid expenses and other	167,145	(321,571)
Accounts payable and accrued expenses	982,789	246,191
Accrued employee compensation and benefits	386,877	436,799
Pension contribution and termination	-	(8,557,588)
Deferred revenue	66,941	(669,154)
Net cash provided by (used in) operating activities	3,484,120	(4,494,818)
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,048,104)	(1,971,137)
Purchases of investments	(3,124,853)	(4,930,261)
Proceeds from sales of investments	1,661,211	4,652,574
Distributions from unconsolidated affiliate	64,000	63,200
Net cash used in investing activities	(3,447,746)	(2,185,624)
Cash Flows from Financing Activities		
Payments on annuities payable	(42,203)	(47,129)
Payments on long-term debt	(1,585,231)	(247,461)
Proceeds from long-term debt	-	9,136,000
Permanently restricted contributions received	1,975	2,185
Net cash (used in) provided by financing activities	(1,625,459)	8,843,595
Net (Decrease) Increase in Cash and Cash Equivalents	(1,589,085)	2,163,153
Cash and Cash Equivalents - Beginning of year	4,744,076	2,580,923
Cash and Cash Equivalents - End of year	<u>\$ 3,154,991</u>	<u>\$ 4,744,076</u>
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	<u>\$ 142,560</u>	<u>\$ 74,079</u>

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

Note I - 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 38 home offices in 36 states plus Washington D.C., with the central business office located in Grand Rapids, Michigan. Approximately 53 and 51 percent of operating revenue in 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013

Note 1 - 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.

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.

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 \$133,500 and \$114,402 at December 31, 2014 and 2013, 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, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property, plant, 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, plant, and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property, plant, 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, plant, and equipment.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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

Certain property, plant, 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, 2014 and 2013.

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.

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 \$66,541 in time-restricted gifts with the remainder being accumulated endowment earnings for December 31, 2014 and only accumulated endowment earnings for December 31, 2013. 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.

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 and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both 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, 2014 and 2013

Note I - 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 consolidated 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.

In accordance with the requirements of the State of Pennsylvania, the details of the Organization's Philadelphia foster care activities reported in the consolidated statements of activities and changes in net assets and functional expenses as a part of the foster care program for the years ended December 31, 2014 and 2013 are as follows.

	<u>2014</u>	<u>2013</u>
Operating expenses:		
Salaries	\$ 211,704	\$ 342,900
Employee benefits	63,805	97,448
Payroll taxes	15,396	24,616
Professional fees	3,739	6,812
Supplies	6,148	8,674
Telephone	5,808	7,253
Postage and shipping	2,255	2,288
Occupancy	39,017	40,176
Outside printing	1,155	1,029
Travel and transportation	15,489	20,020
Advertising	17,798	9,703
Special assistance	513,039	558,876
Miscellaneous	16,204	59,841
Depreciation	1,847	8,282
Total	<u>\$ 913,404</u>	<u>\$ 1,187,918</u>

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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

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, 2014 and 2013, 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. Management believes it is no longer subject to income tax examinations for years prior to December 31, 2011.

Advertising - Advertising costs are expensed as incurred and amounted to \$2,025,727 and \$1,552,316 in 2014 and 2013, respectively.

Revenue Recognition - In May 2014, the Financial Accounting Standards Board 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 ASU is effective for nonpublic entities for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018 (therefore, for the year ending December 31, 2018 for the Organization). The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including March 12, 2015, which is the date the consolidated financial statements were available to be issued.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

Note 2 - Investments

Investments consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Mutual funds	\$ 23,266,441	\$ 22,006,451
Pooled funds	390,898	411,052
Exchange traded funds	<u>6,048,223</u>	<u>5,793,458</u>
Subtotal	29,705,562	28,210,961
Investment in unconsolidated affiliate	<u>607,351</u>	<u>616,958</u>
Total	<u>\$ 30,012,913</u>	<u>\$ 28,827,919</u>

Investment income consists of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 1,028,190	\$ 884,719
Realized and unrealized gains	<u>30,959</u>	<u>3,304,136</u>
Total	<u>\$ 1,059,149</u>	<u>\$ 4,188,855</u>

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 \$54,400 and \$45,800 and received a distribution of \$64,000 and \$63,200 for the years ended December 31, 2014 and 2013, respectively. The Organization is the sole tenant of the real estate limited liability company and has incurred lease expenses of \$164,928 in 2014 and \$165,557 in 2013 related to an operating lease entered into in conjunction with the investment.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

Note 3 - Property and Equipment

The cost of property and equipment is summarized as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,336,676	\$ 1,226,676
Land improvements	1,280,033	1,260,233
Buildings and improvements	17,952,824	16,912,896
Transportation equipment	383,974	337,683
Furniture and fixtures	6,791,599	6,239,319
Construction in progress	<u>186,904</u>	<u>87,951</u>
Total cost	27,932,010	26,064,758
Accumulated depreciation	<u>(13,123,341)</u>	<u>(12,228,216)</u>
Net carrying amount	<u>\$ 14,808,669</u>	<u>\$ 13,836,542</u>

Depreciation expense was \$1,055,403 for 2014 and \$1,102,017 for 2013.

As of December 31, 2014, 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 2000 Table for Males & 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, 2014 and 2013, the Organization recorded \$323,259 and \$342,045, respectively, in annuities payable relating to such program.

Note 5 - Operating Leases

The Organization leases office space and certain equipment and vehicles under operating lease agreements that expire through 2019. The following is a schedule of future minimum rental payments for the years ending December 31:

2015	\$ 2,497,703
2016	1,896,318
2017	1,209,463
2018	844,374
2019	<u>556,458</u>
Total	<u>\$ 7,004,316</u>

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

Note 5 - Operating Leases (Continued)

Total rent expense on these leases for 2014 and 2013 was \$2,468,570 and \$2,441,555, respectively.

Note 6 - Debt

The Organization has a \$3,000,000 line of credit available from a bank. Total draws were \$2,300,000 and \$1,500,000 during 2014 and 2013, respectively. There were no borrowings outstanding on this line of credit at December 31, 2014 and 2013. The line of credit bears interest at LIBOR plus 1.7 percent. The line of credit expires on June 17, 2015.

As of December 31, 2014 and 2013, the Organization had outstanding notes payable as follows:

	<u>2014</u>	<u>2013</u>
Thrift store mortgage, payable in monthly installments of \$1,789, including interest of LIBOR plus 2.05 percent (an effective rate of 2.20 and 2.22 percent at December 31, 2014 and 2013, respectively). The loan matures on March 20, 2018 and is collateralized by the thrift store building	\$ 377,855	\$ 399,899
Term loan payable in monthly installments of \$46,272, including interest of LIBOR plus 1.7 percent (an effective rate of 1.85 and 1.87 percent at December 31, 2014 and 2013, respectively). The loan matures on July 20, 2018 and the note is collateralized by all investment assets held by Charles Schwab	4,705,453	6,268,640
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 1.15 and 1.17 percent at December 31, 2014 and 2013, respectively). The loan matures on June 21, 2018 and is unsecured	1,500,000	1,500,000

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

Note 6 - Debt (Continued)

	<u>2014</u>	<u>2013</u>
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	7,303,308	8,888,539
Less current portion	<u>605,602</u>	<u>585,298</u>
Long-term portion	<u>\$ 6,697,706</u>	<u>\$ 8,303,241</u>

The debt service requirements are as follows:

<u>Years Ending December 31</u>	<u>Principal</u>
2015	\$ 605,602
2016	626,466
2017	648,129
2018	4,703,111
Thereafter	<u>720,000</u>
Total	<u>\$ 7,303,308</u>

Interest expense for the line of credit and long-term debt totaled \$142,560 and \$74,079 for 2014 and 2013, respectively.

The Organization is required to meet quarterly debt covenants in relation to the term loan payable 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.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

Note 7 - Employee Benefit Plans (Continued)

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

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 2014 and 2013.

The Organization made contributions of \$1,483,752 and \$1,456,981 to the plan for the years ended December 31, 2014 and 2013, respectively.

Defined Benefit Plan

The Organization had a noncontributory defined benefit pension plan that covered substantially all of its employees. The plan provided defined benefits based on years of service and compensation. The plan was frozen effective December 31, 2009. On March 20, 2012, the Organization consented to terminate the Plan as of May 31, 2012. The plan received approval of the proposed termination from the Internal Revenue Service dated January 31, 2013. During 2013, the plan liquidated via distributions of \$16,586,303 in benefits paid to participants and the purchase of a \$13,599,000 annuity contract for the remaining participants. The Organization contributed an additional \$7,957,588 to fund the deficit balance and pay the final distributions on July 22, 2013.

Net Periodic Benefit Cost, Employer Contributions, and Benefits Paid

	<u>Pension Benefits</u>
	<u>2013</u>
Net periodic benefit cost	\$ 748,840
Employer contributions	8,557,588
Benefits paid directly to participants or beneficiaries	17,144,840
Annuity contract settlement	13,599,000

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

Note 7 - Employee Benefit Plans (Continued)

Other Changes in Plan Assets and Benefit Obligations Recognized as Pension Liability Adjustment

	Pension Benefits
	<u>2013</u>
Interest cost	\$ 748,840
Expected return on assets	(630,594)
Amortization of transition obligation	619,604
Settlement gain	<u>(1,891,766)</u>
Net periodic benefit gain	<u>(1,153,916)</u>
Total recognized in the consolidated statement of activities	<u>\$ (1,153,916)</u>

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, 2014 and 2013 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, 2014 and 2013

Note 8 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2014

	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, 2014
Investments:				
Mutual funds - Domestic stock	\$ 6,807,576	\$ -	\$ -	\$ 6,807,576
Mutual funds - Foreign stock	4,434,624	-	-	4,434,624
Mutual funds - Bonds	11,311,868	-	-	11,311,868
Mutual funds - Real estate	712,373	-	-	712,373
Exchange traded funds - Domestic stock	3,281,018	-	-	3,281,018
Exchange traded funds - Foreign stock	1,594,937	-	-	1,594,937
Exchange traded funds - Real estate	874,108	-	-	874,108
Exchange traded funds - Bonds	298,160	-	-	298,160
Pooled Funds - Balanced	-	107,412	-	107,412
Pooled funds - Domestic stock	-	60,786	14,761	75,547
Pooled funds - Foreign equity	-	83,846	-	83,846
Pooled funds - Global allocation	-	28,438	-	28,438
Pooled funds - Bonds	-	67,424	-	67,424
Pooled funds - Alternative	-	-	28,231	28,231
Total investments	<u>\$ 29,314,664</u>	<u>\$ 347,906</u>	<u>\$ 42,992</u>	<u>\$ 29,705,562</u>

Assets Measured at Fair Value on a Recurring Basis at December 31, 2013

	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, 2013
Investments:				
Mutual funds - Domestic stocks	\$ 6,538,625	\$ -	\$ -	\$ 6,538,625
Mutual funds - Foreign stock	4,245,084	-	-	4,245,084
Mutual funds - Bonds	10,543,046	-	-	10,543,046
Mutual funds - Real estate	679,697	-	-	679,697
Exchange traded funds - Domestic stock	3,187,613	-	-	3,187,613
Exchange traded funds - Foreign stock	1,633,147	-	-	1,633,147
Exchange traded funds - Real estate	741,815	-	-	741,815
Exchange traded funds - Bonds	230,882	-	-	230,882
Pooled funds - Domestic stocks	-	164,763	-	164,763
Pooled funds - REIT	-	23,792	-	23,792
Pooled funds - Bonds	-	124,037	-	124,037
Pooled funds - Managed fund	-	-	10,812	10,812
Pooled funds - Low volatility fund	-	-	87,648	87,648
Total investments	<u>\$ 27,799,909</u>	<u>\$ 312,592</u>	<u>\$ 98,460</u>	<u>\$ 28,210,961</u>

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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, 2014 and 2013 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.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2014 and 2013 are as follows:

	Pooled Funds - Managed Funds	Pooled Funds - Private Equities	Pooled Funds - Low Volatility Fund
Balance at January 1, 2014	\$ 10,812	\$ -	\$ 87,648
Purchases	-	13,948	1,514
Sales	(383)	-	-
Total unrealized (losses) gains	<u>(10,429)</u>	<u>813</u>	<u>(60,931)</u>
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 14,761</u>	<u>\$ 28,231</u>
		Pooled Funds - Managed Funds	Pooled Funds - Low Volatility Fund
Balance at January 1, 2013		\$ 19,298	\$ 128,695
Total realized and unrealized losses		<u>(8,486)</u>	<u>(41,047)</u>
Balance at December 31, 2013		<u>\$ 10,812</u>	<u>\$ 87,648</u>

Net realized and unrealized losses of \$70,547 and \$49,533 for the years ended December 31, 2014 and 2013, respectively, are reported in investment income in the consolidated statement of activities.

The fair value of managed future funds, low volatility funds, and fund of funds at December 31, 2014 and 2013 was determined primarily based Level 3 inputs. The Organization estimates the fair value based on net asset value of the fund and its underlying investments, adjusted for known liquidation and redemption restrictions or other relevant factors.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

Note 8 - Fair Value Measurements (Continued)

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

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, 2014 and 2013, there were no transfers between levels of the fair value hierarchy.

Investments in Entities that Calculate Net Asset Value per Share

The Organization holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

Certain investments measured at net asset value per share (or equivalent) are classified within Level 2 of the fair value hierarchy as the investment can be redeemed at, or within 30 days of the measurement date. If the investment holdings cannot be redeemed at, or within 30 days of the measurement date, due to redemption restrictions of other factors, then the investment is classified within Level 3 of the fair value hierarchy.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investments Held at December 31, 2014

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Pooled funds - Private equities	\$ 14,761	\$ -	N/A	N/A
Pooled funds - Low volatility fund	28,231	-	N/A	N/A

Investments Held at December 31, 2013

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Pooled funds - Managed future fund	\$ 10,812	\$ -	N/A	N/A
Pooled funds - Low volatility fund	87,648	-	N/A	N/A

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

Note 8 - Fair Value Measurements (Continued)

The managed future fund class invests in a globally diversified selection of commodity and financial market futures with an objective of generating capital appreciation with low correlations to both equity and fixed-income markets. Investments in this class include publicly traded commodity and financial futures contracts. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The low volatility fund class invests in a globally diversified selection of hedge funds or hedge fund of funds with an objective of generating equity-like returns with volatility similar to bonds. Investments in this class include investments in hedge funds and hedge fund of funds. The hedge funds' composite portfolio for this class includes investments in both equity and debt strategies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

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 trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

	Unrestricted - Board- designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 480,338	\$ 265,402	\$ 745,740
Board-designated endowment funds	17,860,092	-	-	17,860,092
Total funds	<u>\$ 17,860,092</u>	<u>\$ 480,338</u>	<u>\$ 265,402</u>	<u>\$ 18,605,832</u>

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2014

	Unrestricted - Board- designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 17,678,689	\$ 575,200	\$ 262,714	\$ 18,516,603
Investment return:				
Investment income	635,580	20,616	713	656,909
Net depreciation (realized and unrealized)	(18,975)	-	-	(18,975)
Total investment return	616,605	20,616	713	637,934
Contributions	-	-	1,975	1,975
Appropriation of endowment assets for expenditure	(765,322)	(115,478)	-	(880,800)
Other changes - Transfers from unrestricted - undesignated net assets	330,120	-	-	330,120
Endowment net assets - End of year	<u>\$ 17,860,092</u>	<u>\$ 480,338</u>	<u>\$ 265,402</u>	<u>\$ 18,605,832</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2013

	Unrestricted - Board- designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 575,200	\$ 262,714	\$ 837,914
Board-designated endowment funds	17,678,689	-	-	17,678,689
Total funds	<u>\$ 17,678,689</u>	<u>\$ 575,200</u>	<u>\$ 262,714</u>	<u>\$ 18,516,603</u>

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2013

	Unrestricted - Board- designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ 14,764,823	\$ 427,936	\$ 255,380	\$ 15,448,139
Investment return:				
Investment income	338,335	228,679	5,149	572,163
Net appreciation	2,400,559	-	-	2,400,559
Total investment return	2,738,894	228,679	5,149	2,972,722
Contributions	-	-	2,185	2,185
Appropriation of endowment assets for expenditure	-	(81,415)	-	(81,415)
Other changes - Transfers to unrestricted - undesignated net assets	174,972	-	-	174,972
Endowment net assets - End of year	<u>\$ 17,678,689</u>	<u>\$ 575,200</u>	<u>\$ 262,714</u>	<u>\$ 18,516,603</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.

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.

Bethany Christian Services

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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

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, 2014, and have issued our report thereon dated March 12, 2015 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 statement of financial position, the consolidating statement of activities, and the St. Louis 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 12, 2015

Bethany Christian Services

Consolidating Statement of Financial Position December 31, 2014

	Total	Arkansas	Northern California	Southern California	Colorado	Florida	Gulf Coast
Assets							
Current Assets:							
Cash and cash equivalents	\$ 3,154,991	\$ 1,550	\$ (24,397)	\$ 3,617	\$ 5,133	\$ 4,670	\$ (163,215)
Investments	29,705,562	951,191	-	295,990	273,741	102,868	-
Receivables - Net	10,242,440	5,069	85,158	168,013	94,977	172,780	37,514
Prepaid expenses and other:							
Prepaid expenses	908,485	2,095	3,024	5,890	3,531	1,790	-
Deposits	250,912	-	2,139	5,371	1,600	-	-
Total current assets	44,262,390	959,905	65,924	478,881	378,982	282,108	(125,701)
Property and equipment:							
Land and land improvements	2,616,709	-	-	-	-	-	-
Buildings and improvements	17,952,824	-	70,623	-	-	-	-
Furniture and fixtures	6,791,599	-	109,639	6,847	-	5,176	-
Transportation equipment	383,974	-	45,460	-	-	-	-
Construction in progress	186,904	-	-	-	-	-	-
Total property and equipment	27,932,010	-	225,722	6,847	-	5,176	-
Less accumulated depreciation	(13,123,341)	-	(149,558)	(2,187)	-	(1,941)	-
Net property and equipment	14,808,669	-	76,164	4,660	-	3,235	-
Investment in unconsolidated affiliate	607,351	-	-	-	-	-	-
Total assets	\$ 59,678,410	\$ 959,905	\$ 142,088	\$ 483,541	\$ 378,982	\$ 285,343	\$ (125,701)
Liabilities and Net Assets (Deficit)							
Liabilities							
Current liabilities:							
Accounts payable and accrued expenses	\$ 3,362,448	\$ 24,732	\$ (118)	\$ 12,107	\$ 5,154	\$ 15,217	\$ 4,308
Current maturities of long-term debt	605,602	-	-	-	-	-	-
Deferred revenue	2,612,039	13,000	30,625	36,179	46,754	30,320	17,900
Employee compensation and benefits	4,843,428	30,056	89,459	34,168	56,079	43,534	13,948
Total current liabilities	11,423,517	67,788	119,966	82,454	107,987	89,071	36,156
Annuities payable	323,259	-	-	-	-	-	-
Other long-term liabilities:							
Long-term note payable, net of current maturities	6,697,706	-	-	-	-	-	-
Intercompany obligation	-	19,499	52,262	40,393	40,621	10,886	-
Total long-term liabilities	7,020,965	19,499	52,262	40,393	40,621	10,886	-
Total liabilities	18,444,482	87,287	172,228	122,847	148,608	99,957	36,156
Net Assets (Deficit) - Beginning of year	38,841,760	725,982	80,064	352,954	191,595	165,180	(119,480)
Change in Net Assets	2,392,168	146,636	(110,204)	7,740	38,779	20,206	(42,377)
Net Assets (Deficit) - End of year	41,233,928	872,618	(30,140)	360,694	230,374	185,386	(161,857)
Total Liabilities and Net Assets (Deficit)	\$ 59,678,410	\$ 959,905	\$ 142,088	\$ 483,541	\$ 378,982	\$ 285,343	\$ (125,701)

Bethany Christian Services

Consolidating Statement of Financial Position (Continued)

December 31, 2014

	Georgia	Illinois	Central Indiana	Northwest Iowa	South Central Iowa	Maryland	Michigan
Assets							
Current Assets:							
Cash and cash equivalents	\$ 15,100	\$ (199,360)	\$ 11,600	\$ (177,841)	\$ 3,100	\$ 2,100	\$ 133,124
Investments	270,194	-	231,636	-	549,528	117,570	4,142,715
Receivables - Net	840,722	22,247	180,383	32,325	36,045	140,504	5,852,598
Prepaid expenses and other:							
Prepaid expenses	15,491	1,980	6,888	2,100	3,197	9,358	135,477
Deposits	-	1,650	13,943	-	1,000	8,411	16,592
Total current assets	1,141,507	(173,483)	444,450	(143,416)	592,870	277,943	10,280,506
Property and equipment:							
Land and land improvements	-	-	-	-	-	-	-
Buildings and improvements	111,800	-	-	-	19,356	13,710	449,881
Furniture and fixtures	47,349	32,954	11,240	11,605	7,944	9,536	1,762,209
Transportation equipment	53,980	-	-	-	-	-	275,316
Construction in progress	34,170	-	-	-	-	-	53,154
Total property and equipment	247,299	32,954	11,240	11,605	27,300	23,246	2,540,560
Less accumulated depreciation	(100,246)	(23,006)	(7,181)	(11,605)	(27,300)	(8,397)	(1,661,617)
Net property and equipment	147,053	9,948	4,059	-	-	14,849	878,943
Investment in unconsolidated affiliate	607,351	-	-	-	-	-	-
Total assets	<u>\$ 1,895,911</u>	<u>\$ (163,535)</u>	<u>\$ 448,509</u>	<u>\$ (143,416)</u>	<u>\$ 592,870</u>	<u>\$ 292,792</u>	<u>\$ 11,159,449</u>
Liabilities and Net Assets (Deficit)							
Liabilities							
Current liabilities:							
Accounts payable and accrued expenses	\$ 5,940	\$ 19,261	\$ 16,498	\$ 815	\$ 4,303	\$ (87)	\$ 669,602
Current maturities of long-term debt	-	-	-	-	-	-	-
Deferred revenue	76,288	60,412	112,435	28,740	33,487	48,700	195,324
Employee compensation and benefits	196,887	57,232	93,588	37,396	37,771	56,241	1,896,630
Total current liabilities	279,115	136,905	222,521	66,951	75,561	104,854	2,761,556
Annuities payable	-	-	-	-	-	-	-
Other long-term liabilities:							
Long-term note payable, net of current maturities	-	-	-	-	-	-	-
Intercompany obligation	136,078	67,880	57,674	31,014	25,440	31,251	935,064
Total long-term liabilities	136,078	67,880	57,674	31,014	25,440	31,251	935,064
Total liabilities	415,193	204,785	280,195	97,965	101,001	136,105	3,696,620
Net Assets (Deficit) - Beginning of year	1,577,701	(477,290)	366,754	(279,638)	398,920	132,189	6,400,222
Change in Net Assets	(96,983)	108,970	(198,440)	38,257	92,949	24,498	1,062,607
Net Assets (Deficit) - End of year	1,480,718	(368,320)	168,314	(241,381)	491,869	156,687	7,462,829
Total Liabilities and Net Assets (Deficit)	<u>\$ 1,895,911</u>	<u>\$ (163,535)</u>	<u>\$ 448,509</u>	<u>\$ (143,416)</u>	<u>\$ 592,870</u>	<u>\$ 292,792</u>	<u>\$ 11,159,449</u>

Bethany Christian Services

Consolidating Statement of Financial Position (Continued) December 31, 2014

	Minnesota	Mississippi	Missouri	New England	New Jersey	North Carolina	Central Pennsylvania
Assets							
Current Assets:							
Cash and cash equivalents	\$ (350,646)	\$ 7,837	\$ 3,580	\$ (130,297)	\$ (72,084)	\$ 5,000	\$ 5,957
Investments	-	613,213	331,521	-	-	639,980	290,671
Receivables - Net	161,871	4,176	10,809	116,556	90,595	15,275	426,111
Prepaid expenses and other:							
Prepaid expenses	4,694	3,248	3,338	3,185	12,052	4,765	9,841
Deposits	434	-	4,431	2,414	2,450	1,500	7,045
Total current assets	(183,647)	628,474	353,679	(8,142)	33,013	666,520	739,625
Property and equipment:							
Land and land improvements	-	-	-	-	-	-	-
Buildings and improvements	-	-	-	-	-	-	12,334
Furniture and fixtures	-	14,197	-	6,624	18,212	11,939	25,000
Transportation equipment	-	-	-	-	-	-	-
Construction in progress	-	-	61,426	-	-	-	-
Total property and equipment	-	14,197	61,426	6,624	18,212	11,939	37,334
Less accumulated depreciation	-	(11,241)	-	(1,012)	(14,095)	(12,710)	(34,676)
Net property and equipment	-	2,956	61,426	5,612	4,117	(771)	2,658
Investment in unconsolidated affiliate	-	-	-	-	-	-	-
Total assets	<u>\$ (183,647)</u>	<u>\$ 631,430</u>	<u>\$ 415,105</u>	<u>\$ (2,530)</u>	<u>\$ 37,130</u>	<u>\$ 665,749</u>	<u>\$ 742,283</u>
Liabilities and Net Assets (Deficit)							
Liabilities							
Current liabilities:							
Accounts payable and accrued expenses	\$ 1,362	\$ 10,930	\$ 9,111	\$ 3,271	\$ 10,744	\$ 260	\$ 18,357
Current maturities of long-term debt	-	-	-	-	-	-	-
Deferred revenue	32,635	20,885	41,083	49,601	68,388	57,702	54,430
Employee compensation and benefits	29,885	36,237	40,290	43,742	64,099	51,185	128,521
Total current liabilities	63,882	68,052	90,484	96,614	143,231	109,147	201,308
Annuities payable	-	-	-	-	-	-	-
Other long-term liabilities:							
Long-term note payable, net of current maturities	-	-	-	-	-	-	-
Intercompany obligation	20,408	29,190	21,258	21,971	25,969	27,591	32,187
Total long-term liabilities	20,408	29,190	21,258	21,971	25,969	27,591	32,187
Total liabilities	84,290	97,242	111,742	118,585	169,200	136,738	233,495
Net Assets (Deficit) - Beginning of year	(283,089)	557,600	289,653	(103,810)	(221,531)	621,622	362,691
Change in Net Assets	15,152	(23,412)	13,710	(17,305)	89,461	(92,611)	146,097
Net Assets (Deficit) - End of year	(267,937)	534,188	303,363	(121,115)	(132,070)	529,011	508,788
Total Liabilities and Net Assets (Deficit)	<u>\$ (183,647)</u>	<u>\$ 631,430</u>	<u>\$ 415,105</u>	<u>\$ (2,530)</u>	<u>\$ 37,130</u>	<u>\$ 665,749</u>	<u>\$ 742,283</u>

Bethany Christian Services

Consolidating Statement of Financial Position (Continued) December 31, 2014

	Greater Delaware Valley	Western Pennsylvania	South Carolina	Eastern South Dakota	Western South Dakota	Greater Chattanooga	East Tennessee
Assets							
Current Assets:							
Cash and cash equivalents	\$ (213,998)	\$ (130,041)	\$ 4,000	\$ 3,050	\$ 2,500	\$ (245,524)	\$ 3,000
Investments	-	-	358,299	73,093	169,668	-	207,660
Receivables - Net	440,534	83,561	9,565	76,282	75,400	81,488	23,860
Prepaid expenses and other:							
Prepaid expenses	1,100	4,445	4,350	1,750	-	-	5,335
Deposits	850	1,000	800	-	-	2,550	2,000
Total current assets	228,486	(41,035)	377,014	154,175	247,568	(161,486)	241,855
Property and equipment:							
Land and land improvements	-	-	-	-	-	-	-
Buildings and improvements	15,195	-	-	-	-	34,847	-
Furniture and fixtures	84,831	23,528	7,384	-	4,115	-	12,474
Transportation equipment	-	-	-	-	-	9,218	-
Construction in progress	-	-	-	-	-	-	-
Total property and equipment	100,026	23,528	7,384	-	4,115	44,065	12,474
Less accumulated depreciation	(70,242)	(18,129)	(7,384)	-	(2,915)	(13,099)	(7,841)
Net property and equipment	29,784	5,399	-	-	1,200	30,966	4,633
Investment in unconsolidated affiliate	-	-	-	-	-	-	-
Total assets	\$ 258,270	\$ (35,636)	\$ 377,014	\$ 154,175	\$ 248,768	\$ (130,520)	\$ 246,488
Liabilities and Net Assets (Deficit)							
Liabilities							
Current liabilities:							
Accounts payable and accrued expenses	\$ 28,170	\$ 21,530	\$ (3,462)	\$ 1,691	\$ 196	\$ 7,200	\$ 3,461
Current maturities of long-term debt	-	-	-	-	-	-	-
Deferred revenue	60,376	31,204	95,958	19,029	13,150	20,989	50,784
Employee compensation and benefits	112,205	39,808	50,943	16,976	16,956	22,617	28,026
Total current liabilities	200,751	92,542	143,439	37,696	30,302	50,806	82,271
Annuities payable	-	-	-	-	-	-	-
Other long-term liabilities:							
Long-term note payable, net of current maturities	-	-	-	-	-	-	-
Intercompany obligation	126,504	20,487	45,674	8,027	5,722	17,662	13,947
Total liabilities	327,255	113,029	189,113	45,723	36,024	68,468	96,218
Net Assets (Deficit) - Beginning of year	(11,651)	(74,217)	80,360	124,328	124,235	(289,064)	91,078
Change in Net Assets	(57,334)	(74,448)	107,541	(15,876)	88,509	90,076	59,192
Net Assets (Deficit) - End of year	(68,985)	(148,665)	187,901	108,452	212,744	(198,988)	150,270
Total Liabilities and Net Assets (Deficit)	\$ 258,270	\$ (35,636)	\$ 377,014	\$ 154,175	\$ 248,768	\$ (130,520)	\$ 246,488

Bethany Christian Services

Consolidating Statement of Financial Position (Continued) December 31, 2014

	Middle Tennessee	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	\$ (702,479)	\$ (465,019)	\$ (113,752)	\$ (1,048,162)	\$ 3,625	\$ 3,250	\$ (67,879)	\$ 6,956,684	\$ 81,208
Investments	-	-	-	-	118,529	2,111,342	-	(668,471)	18,524,624
Receivables - Net	33,875	130,522	182,146	116,940	84,951	417,768	-	(8,180)	-
Prepaid expenses and other:									
Prepaid expenses	2,466	5,957	9,380	6,304	5,140	20,401	-	609,913	-
Deposits	5,487	3,454	8,821	6,447	3,403	-	-	147,120	-
Total current assets	(660,651)	(325,086)	86,595	(918,471)	215,648	2,552,761	(67,879)	7,037,066	18,605,832
Property and equipment:									
Land and land improvements	-	-	-	-	-	-	-	2,616,709	-
Buildings and improvements	-	-	6,435	14,670	-	-	30,203	17,173,770	-
Furniture and fixtures	5,952	17,804	12,768	48,678	28,918	425,737	42,410	3,996,529	-
Transportation equipment	-	-	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-	38,154	-
Total property and equipment	5,952	17,804	19,203	63,348	28,918	425,737	72,613	23,825,162	-
Less accumulated depreciation	(1,842)	(6,620)	(13,678)	(49,560)	(26,553)	(390,543)	(9,332)	(10,438,831)	-
Net property and equipment	4,110	11,184	5,525	13,788	2,365	35,194	63,281	13,386,331	-
Investment in unconsolidated affiliate	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ (656,541)</u>	<u>\$ (313,902)</u>	<u>\$ 92,120</u>	<u>\$ (904,683)</u>	<u>\$ 218,013</u>	<u>\$ 2,587,955</u>	<u>\$ (4,598)</u>	<u>\$ 20,423,397</u>	<u>\$ 18,605,832</u>
Liabilities and Net Assets (Deficit)									
Liabilities									
Current liabilities:									
Accounts payable and accrued expenses	\$ 577	\$ 1,199	\$ (155)	\$ 87	\$ 4,848	\$ 734,310	\$ 312	\$ 1,730,717	\$ -
Current maturities of long-term debt	-	-	-	-	-	-	-	605,602	-
Deferred revenue	28,681	15,162	102,230	47,850	111,138	960,600	-	-	-
Employee compensation and benefits	14,070	33,787	85,169	47,009	63,679	89,561	7,766	1,177,908	-
Total current liabilities	43,328	50,148	187,244	94,946	179,665	1,784,471	8,078	3,514,227	-
Annuities payable	-	-	-	-	-	-	-	323,259	-
Other long-term liabilities:									
Long-term note payable, net of current maturities	-	-	-	-	-	-	-	6,697,706	-
Intercompany obligation	13,687	25,348	66,894	61,257	50,839	97,425	-	(2,180,109)	-
Total liabilities	57,015	75,496	254,138	156,203	230,504	1,881,896	8,078	8,355,083	-
Net Assets (Deficit) - Beginning of year	(685,143)	(314,900)	(167,814)	(1,140,523)	25,905	474,204	5,291	11,344,778	18,516,604
Change in Net Assets	(28,413)	(74,498)	5,796	79,637	(38,396)	231,855	(17,967)	723,536	89,228
Net Assets (Deficit) - End of year	(713,556)	(389,398)	(162,018)	(1,060,886)	(12,491)	706,059	(12,676)	12,068,314	18,605,832
Total Liabilities and Net Assets (Deficit)	<u>\$ (656,541)</u>	<u>\$ (313,902)</u>	<u>\$ 92,120</u>	<u>\$ (904,683)</u>	<u>\$ 218,013</u>	<u>\$ 2,587,955</u>	<u>\$ (4,598)</u>	<u>\$ 20,423,397</u>	<u>\$ 18,605,832</u>

Bethany Christian Services

Consolidating Statement of Activities Year Ended December 31, 2014

	Total	Arkansas	Northern California	Southern California	Colorado	Florida	Gulf Coast	Georgia	Illinois	Central Indiana
Operating Revenues and Other Support										
Contributions	\$ 15,174,578	\$ 192,412	\$ 906,335	\$ 229,231	\$ 197,800	\$ 150,388	\$ 29,930	\$ 446,673	\$ 339,006	\$ 199,982
Child support	50,866,214	4,076	1,632	-	810,585	295,624	-	4,551,754	9,000	948,244
Service fees	27,456,302	445,663	499,514	570,725	433,970	644,948	299,449	1,451,950	454,274	795,741
Investments and other	1,645,877	7,463	19,973	12,452	19,724	46,472	(3,289)	129,540	(1,757)	20,408
Total operating revenues and other support	95,142,971	649,614	1,427,454	812,408	1,462,079	1,137,432	326,090	6,579,917	800,523	1,964,375
Operating Expenses										
Salaries	41,448,051	210,589	727,265	309,402	448,035	442,524	133,751	2,381,887	294,841	849,603
Fringes	9,222,512	61,346	117,244	63,158	65,474	89,689	54,595	473,292	74,623	196,710
Taxes	3,067,811	15,745	54,427	24,864	34,591	33,244	9,411	178,439	20,479	64,673
Professional fees	4,329,970	3,304	20,280	27,898	47,463	93,451	26,074	473,883	4,140	9,132
Supplies	759,680	2,000	14,427	3,451	4,204	8,142	1,445	47,589	7,223	5,829
Telephone	1,003,335	12,633	25,259	15,300	21,578	13,523	6,414	64,355	8,203	28,376
Postage	522,203	5,145	9,262	7,497	5,330	4,169	1,400	26,586	4,687	6,561
Occupancy	4,361,658	16,742	92,295	73,401	45,686	26,630	20,102	291,775	24,996	92,444
Printing	421,712	2,815	8,020	3,420	4,422	4,242	2,145	24,752	5,529	7,925
Information technology	1,115,416	971	7,700	3,132	12,733	7,458	3,671	58,523	5,722	16,124
Equipment and furnishings	197,613	2,047	4,788	1,800	504	399	-	9,671	6,639	358
Travel	3,543,078	14,110	35,236	20,226	41,698	85,177	8,504	156,318	32,276	137,443
Conferences and meetings	961,750	5,213	3,123	6,270	2,596	11,840	905	159,253	2,692	847
Advertising	2,025,727	11,622	16,398	56,553	5,656	14,323	9,121	142,484	19,725	44,668
Special assistance	14,709,508	31,108	58,938	39,196	473,609	65,444	33,108	1,234,142	55,899	366,701
Overseas contributions	1,455,416	-	-	-	-	-	-	-	-	-
Program development	147,649	-	375	16	1,954	3,107	-	322	-	850
Payment processing fees	351,110	9,687	12,639	9,732	7,488	14,336	5,199	8,119	5,755	13,791
Educational and promotional materials	170,645	892	2,356	99	119	1,788	530	8,998	1,184	820
Fundraising event costs	932,465	19,659	72,437	4,896	35,173	11,695	78	11,122	11,773	14,948
Bad debt	82,580	-	-	2,520	6,840	5,500	-	30,720	(5,301)	4,386
Miscellaneous	865,511	2,437	7,069	9,541	7,976	14,564	2,004	22,166	6,216	12,355
Depreciation	1,055,403	413	18,590	1,616	1,561	1,611	300	16,734	2,522	3,471
Support services	-	74,500	229,530	120,680	148,610	164,370	49,710	855,770	101,730	284,800
Total operating expenses	92,750,803	502,978	1,537,658	804,668	1,423,300	1,117,226	368,467	6,676,900	691,553	2,162,815
Change in Net Assets From Operating Activities										
	<u>\$ 2,392,168</u>	<u>\$ 146,636</u>	<u>\$ (110,204)</u>	<u>\$ 7,740</u>	<u>\$ 38,779</u>	<u>\$ 20,206</u>	<u>\$ (42,377)</u>	<u>\$ (96,983)</u>	<u>\$ 108,970</u>	<u>\$ (198,440)</u>

Bethany Christian Services

Consolidating Statement of Activities (Continued) Year Ended December 31, 2014

	Northwest Iowa	South Central Iowa	Maryland	Michigan	Minnesota	Mississippi	Missouri	New England	New Jersey
Operating Revenues and Other Support									
Contributions	\$ 338,336	\$ 304,004	\$ 300,414	\$ 3,005,562	\$ 291,210	\$ 515,036	\$ 244,496	\$ 523,456	\$ 406,197
Child support	52,308	55,265	293,778	38,488,673	150,773	-	141,073	228,018	79,137
Service fees	412,069	567,300	517,372	7,465,071	297,470	192,917	615,378	301,780	827,750
Investments and other	50,574	36,000	24,220	195,250	(7,372)	17,619	3,964	25,201	29,511
Total operating revenues and other support	853,287	962,569	1,135,784	49,154,556	732,081	725,572	1,004,911	1,078,455	1,342,595
Operating Expenses									
Salaries	380,971	330,039	473,473	19,173,717	340,390	309,006	405,469	489,716	586,463
Fringes	94,780	88,365	74,491	4,619,391	30,561	89,092	75,877	103,512	92,898
Taxes	27,627	24,278	35,623	1,421,889	26,686	22,507	31,442	36,462	44,238
Professional fees	31,047	47,884	16,712	588,428	6,820	15,736	18,799	26,021	32,738
Supplies	3,431	4,530	8,153	368,579	4,741	3,365	10,301	6,970	11,985
Telephone	10,448	17,675	17,710	381,722	12,040	9,059	14,027	18,216	18,406
Postage	4,820	3,328	4,787	72,848	5,412	4,608	6,005	3,642	9,032
Occupancy	27,180	50,599	114,834	1,951,357	57,531	48,968	28,504	51,358	57,336
Printing	10,358	3,926	5,553	86,451	6,232	7,393	6,688	6,111	6,862
Information technology	7,690	1,593	10,684	379,381	6,757	2,467	14,718	6,889	18,782
Equipment and furnishings	1,424	1,112	4,415	111,208	1,119	243	3,187	217	1,157
Travel	29,285	44,189	43,739	1,575,346	22,718	14,825	46,672	56,654	44,457
Conferences and meetings	2,132	5,936	10,781	222,032	4,059	3,542	10,792	9,046	3,605
Advertising	24,944	11,612	63,162	489,090	9,287	40,674	37,081	26,426	34,620
Special assistance	11,684	62,171	16,365	10,285,208	41,535	19,154	89,217	32,267	39,350
Overseas contributions	-	-	-	-	-	2,200	-	-	-
Program development	270	50	432	17,813	-	-	998	-	500
Payment processing fees	4,737	11,681	7,939	42,324	6,894	2,424	6,664	5,524	10,046
Educational and promotional materials	681	456	502	22,119	893	209	4,065	780	947
Fundraising event costs	5,286	19,959	19,184	210,289	18,573	32,252	20,406	35,465	39,295
Bad debt	2,103	5,618	-	2,682	3,419	932	-	550	1,375
Miscellaneous	5,300	6,491	5,925	104,854	5,882	2,789	16,904	9,322	4,254
Depreciation	1,232	2,498	5,072	216,751	619	2,419	1,685	1,782	2,188
Support services	127,600	125,630	171,750	5,748,470	104,761	115,120	141,700	168,830	192,600
Total operating expenses	815,030	869,620	1,111,286	48,091,949	716,929	748,984	991,201	1,095,760	1,253,134
Change in Net Assets From Operating Activities									
	\$ 38,257	\$ 92,949	\$ 24,498	\$ 1,062,607	\$ 15,152	\$ (23,412)	\$ 13,710	\$ (17,305)	\$ 89,461

Bethany Christian Services

Consolidating Statement of Activities (Continued) Year Ended December 31, 2014

	North Carolina	Central Pennsylvania	Greater Delaware Valley	Western Pennsylvania	South Carolina	Eastern South Dakota	Western South Dakota	Greater Chattanooga	East Tennessee
Operating Revenues and Other Support									
Contributions	\$ (79,659)	\$ 308,816	\$ 658,503	\$ 98,734	\$ 268,536	\$ 187,511	\$ 207,934	\$ 264,760	\$ 201,293
Child support	42,370	1,309,963	1,346,885	309,996	(306)	2,163	-	-	-
Service fees	904,035	1,314,993	717,424	495,094	713,743	210,111	187,147	290,127	550,120
Investments and other	6,838	102,734	3,986	441	989	924	15,323	211	5,222
Total operating revenues and other support	873,584	3,036,506	2,726,798	904,265	982,962	400,709	410,404	555,098	756,635
Operating Expenses									
Salaries	384,201	1,224,301	1,009,247	393,119	369,677	178,592	147,773	139,374	258,526
Fringes	104,215	269,768	264,963	65,175	107,508	44,890	9,475	43,141	64,713
Taxes	28,427	92,410	73,646	29,177	27,107	13,165	11,392	10,584	19,211
Professional fees	51,122	53,228	12,868	17,242	14,204	15,605	11,439	5,071	42,420
Supplies	4,712	32,881	24,027	11,136	3,318	4,573	2,596	3,005	7,733
Telephone	13,653	33,643	26,550	16,936	18,747	4,995	7,787	8,151	14,804
Postage	5,525	9,499	13,949	6,205	6,286	3,315	2,898	1,892	4,484
Occupancy	61,054	134,434	151,592	79,061	67,016	21,157	16,205	43,584	44,334
Printing	5,116	16,294	10,238	7,510	6,349	2,246	4,513	3,113	4,422
Information technology	6,235	26,851	13,949	8,179	12,563	2,068	9,624	5,495	3,106
Equipment and furnishings	1,265	918	7,549	2,088	944	758	1,454	4,950	2,525
Travel	33,999	80,465	61,372	55,086	22,247	10,416	8,393	13,590	27,233
Conferences and meetings	3,518	23,159	6,247	5,484	2,901	5,869	1,669	7,223	4,928
Advertising	28,063	44,770	57,415	50,416	29,787	11,420	10,816	17,362	18,831
Special assistance	65,085	380,863	594,545	62,007	39,707	12,704	8,177	37,560	43,462
Overseas contributions	-	-	-	-	-	-	-	-	-
Program development	-	2,191	50	-	-	-	-	417	1,500
Payment processing fees	5,566	8,335	6,083	6,715	10,409	3,411	3,689	4,006	4,661
Educational and promotional materials	1,049	2,555	703	1,501	570	1,465	700	387	8,961
Fundraising event costs	16,880	27,412	78,372	9,712	5,261	13,105	10,095	43,068	12,952
Bad debt	-	351	100	425	100	-	-	-	300
Miscellaneous	1,712	25,505	19,555	3,255	3,519	4,063	3,452	2,763	3,889
Depreciation	2,078	9,956	7,032	3,514	671	358	968	1,546	2,758
Support services	142,720	390,620	344,080	144,770	126,530	62,410	48,780	68,740	101,690
Total operating expenses	966,195	2,890,409	2,784,132	978,713	875,421	416,585	321,895	465,022	697,443
Change in Net Assets From Operating Activities									
	\$ (92,611)	\$ 146,097	\$ (57,334)	\$ (74,448)	\$ 107,541	\$ (15,876)	\$ 88,509	\$ 90,076	\$ 59,192

Bethany Christian Services

Consolidating Statement of Activities (Continued) Year Ended December 31, 2014

	Middle Tennessee	West Tennessee	Virginia	Washington	Wisconsin	Bethany Christian Services Global LLC	Bethany's Thrift Store	Corporate	Bethany Christian Foundation LLC
Operating Revenues and Other Support									
Contributions	\$ 51,020	\$ 153,678	\$ 225,540	\$ 387,534	\$ 259,003	\$ 1,127,284	\$ 13,018	\$ 1,938,510	\$ 282,095
Child support	-	198,974	794,183	192,171	333,939	225,936	-	-	-
Service fees	289,644	321,040	1,292,562	802,716	624,087	1,955,118	-	(5,000)	-
Investments and other	(12,801)	(7,231)	(5,873)	(16,044)	40,058	80,034	395,964	545,578	(136,429)
Total operating revenues and other support	327,863	666,461	2,306,412	1,366,377	1,257,087	3,388,372	408,982	2,479,088	145,666
Operating Expenses									
Salaries	132,585	316,859	904,995	432,317	594,425	775,095	145,093	5,754,731	-
Fringes	25,802	51,059	154,712	108,724	178,500	171,139	9,030	1,084,600	-
Taxes	10,004	23,752	67,394	30,961	43,307	56,815	11,001	412,833	-
Professional fees	15,982	52,967	36,295	59,461	24,949	135,689	33,850	2,201,330	56,438
Supplies	2,550	8,166	16,693	8,119	10,411	14,191	8,224	80,980	-
Telephone	8,579	7,369	34,302	19,439	12,743	11,195	3,008	66,490	-
Postage	3,574	13,088	9,701	8,847	9,187	61,492	2,256	174,886	-
Occupancy	53,062	25,746	160,060	84,991	72,096	62,525	59,496	153,507	-
Printing	3,293	3,824	10,893	9,930	8,330	6,313	1,610	114,874	-
Information technology	3,352	4,156	15,311	20,822	3,857	18,335	3,129	393,389	-
Equipment and furnishings	560	1,212	2,070	2,331	1,047	99	-	17,555	-
Travel	12,273	31,778	83,384	54,029	60,280	119,783	18,405	441,472	-
Conferences and meetings	1,882	1,236	16,678	6,835	2,385	14,751	658	391,663	-
Advertising	7,719	11,053	330,413	22,911	10,866	5,373	22,230	288,836	-
Special assistance	11,638	64,692	50,348	127,437	8,709	21,025	-	226,453	-
Overseas contributions	-	-	-	-	-	1,139,965	-	313,251	-
Program development	673	-	115	137	40	38,661	-	77,178	-
Payment processing fees	4,439	3,091	17,768	18,110	11,025	41,671	11,422	5,730	-
Educational and promotional materials	401	235	9,480	348	267	1,110	-	93,475	-
Fundraising event costs	237	7,248	15,346	54,455	31,649	164	-	24,019	-
Bad debt	39	77	553	11,841	-	7,450	-	-	-
Miscellaneous	2,217	3,727	3,806	16,506	5,878	166,951	8,919	343,745	-
Depreciation	1,065	2,244	2,769	6,949	2,682	36,393	23,548	669,808	-
Support services	54,350	107,380	357,530	181,240	202,850	250,332	65,070	(11,575,253)	-
Total operating expenses	356,276	740,959	2,300,616	1,286,740	1,295,483	3,156,517	426,949	1,755,552	56,438
Change in Net Assets From Operating Activities	\$ (28,413)	\$ (74,498)	\$ 5,796	\$ 79,637	\$ (38,396)	\$ 231,855	\$ (17,967)	\$ 723,536	\$ 89,228

Bethany Christian Services

St. Louis Schedule of Project Unit Cost Year Ended December 31, 2014

	Total Expenses	St. Louis County Expenses
Project Expenses		
Salaries	\$ 112,536	\$ 62,818
Fringes	18,203	10,161
Outside services, contracted	3,464	1,934
Supplies	1,547	864
Telephone	3,987	2,226
Telephone, internet access	310	173
Printing	659	368
Postage	868	485
Rent	6,166	3,442
Utilities	1,777	992
Advertising	2,532	1,413
Computers - Hardware	1,649	920
Computers - Software	534	298
Travel	10,491	5,856
Client assistance	15	8
Conferences	215	120
Staff, board, and group meetings	1,423	794
Special events	1,254	700
Memberships and dues	10,525	5,875
Equipment and furnishings	643	359
Support services - Nonbillable	14,282	7,972
Miscellaneous	5,937	3,314
Total program services	199,017	111,092
Less: <i>Not applicable to County:</i> Support Services - Nonbillable	14,282	7,972
Less: <i>Not applicable to County:</i> Branch Fundraising	4,040	2,255
Total direct project expenses	180,695	100,865
Add: <i>Indirect (Administrative) Expenses:</i> Support Services - Billable	27,530	15,367
Total project expenses	\$ 208,225	\$ 116,232
Total units served	3,823	2,134
Cost per unit	\$ 54.47	\$ 54.47