



Financial and Compliance Report  
June 30, 2010

## Contents

---

<b>Independent Auditor's Report on the Financial Statements and Supplementary Information</b>	1
<hr/>	
<b>Financial Statements</b>	
Statement of financial position	2 – 3
Statement of activities	4 – 7
Statement of functional expenses	8 – 13
Statement of cash flows	14
Notes to financial statements	15 – 23
<b>Supplementary Information</b>	
Schedule of expenditures of federal awards	24
Notes to schedule of expenditures of federal awards	25
Cost report for the State of Illinois Department of Children and Family Services and Department of Human Services	26 – 29
Statement of inflows and outflows, program under contract with Illinois Norman Cash Assistance Contract	30
Comparative financial statistics, statement of activities statistics	31 – 32
<b>Compliance Information</b>	
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards	33 – 34
Independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and internal control over compliance in accordance with OMB Circular A-133	35 – 36
Schedule of findings and questioned costs	37 – 39
Summary schedule of prior audit findings	39
Corrective action plan	40

---



## Independent Auditor's Report

To the Board of Directors  
Bethany For Children & Families  
Moline, Illinois

We have audited the accompanying statement of financial position of Bethany For Children & Families as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Bethany For Children & Families' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bethany For Children & Families as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2011, on our consideration of Bethany For Children & Families' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
March 30, 2011

## Bethany For Children & Families

### Statement of Financial Position

June 30, 2010

<b>Assets (Note 6)</b>	Total	Operating
Current assets:		
Cash and cash equivalents	\$ 145,105	\$ 97,666
Accrued interest receivable	3,676	-
Contributions receivable, net (Note 2)	20,500	-
Accounts receivable:		
Public agencies	421,839	421,839
United Way allocation for fiscal 2010 (Note 2)	70,922	70,922
Current portion of loans receivable, less allowance for doubtful loans of \$1,678 (Note 3)	9,509	-
Prepaid expenses	51,316	51,316
<b>Total current assets</b>	<b>722,867</b>	<b>641,743</b>
Noncurrent assets:		
Marketable securities (Notes 4 and 5)	1,384,771	-
Assets held for sale (Note 12)	30,000	-
Land, buildings and equipment:		
Land and land improvements	175,000	-
Buildings and building improvements	1,715,174	-
Furniture and equipment, including assets acquired under capital lease of \$25,289 (Note 7)	376,497	-
Automobiles	130,485	-
	2,397,156	-
Less accumulated depreciation, including amounts applicable to assets acquired under capital leases of \$6,051 (Note 7)	839,169	-
	1,557,987	-
	<b>\$ 3,695,625</b>	<b>\$ 641,743</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of long-term debt (Note 6)	\$ 183,091	\$ 155,000
Current portion of capital leases (Note 7)	4,407	-
Accounts payable and accrued expenses	241,156	230,462
Note payable, bank (Note 5)	826,424	826,424
<b>Total current liabilities</b>	<b>1,255,078</b>	<b>1,211,886</b>
Long-term debt (Note 6)	790,934	-
Capital lease obligation, net of current portion (Note 7)	16,166	-
<b>Total liabilities</b>	<b>2,062,178</b>	<b>1,211,886</b>
Contingency (Note 10)		
Net assets:		
Unrestricted:		
Designated for long-term investment	1,388,447	-
Net investment in plant	768,889	-
Available for operations (deficit)	(651,675)	(651,675)
<b>Total unrestricted net assets</b>	<b>1,505,661</b>	<b>(651,675)</b>
Temporarily restricted:		
United Way allocation for fiscal 2011	70,922	70,922
Family Loan/Ways to Work operations	10,610	10,610
Family Loan Pool	46,254	-
<b>Total temporarily restricted net assets</b>	<b>127,786</b>	<b>81,532</b>
<b>Total net assets</b>	<b>1,633,447</b>	<b>(570,143)</b>
	<b>\$ 3,695,625</b>	<b>\$ 641,743</b>

See Notes to Financial Statements.

Long-Term Investment	Plant	Family Loan Pool
\$ -	\$ -	\$ 47,439
3,676	-	-
-	20,500	-
-	-	-
-	-	-
-	-	9,509
-	-	-
<u>3,676</u>	<u>20,500</u>	<u>56,948</u>
1,384,771	-	-
-	30,000	-
-	175,000	-
-	1,715,174	-
-	376,497	-
-	130,485	-
-	<u>2,397,156</u>	-
-	839,169	-
-	<u>1,557,987</u>	-
<u>\$ 1,388,447</u>	<u>\$ 1,608,487</u>	<u>\$ 56,948</u>
\$ -	\$ 28,091	\$ -
-	4,407	-
-	-	10,694
-	-	-
-	<u>32,498</u>	<u>10,694</u>
-	790,934	-
-	16,166	-
-	<u>839,598</u>	<u>10,694</u>
1,388,447	-	-
-	768,889	-
-	-	-
<u>1,388,447</u>	<u>768,889</u>	<u>-</u>
-	-	-
-	-	-
-	-	46,254
-	-	<u>46,254</u>
<u>1,388,447</u>	<u>768,889</u>	<u>46,254</u>
<u>\$ 1,388,447</u>	<u>\$ 1,608,487</u>	<u>\$ 56,948</u>

# Bethany For Children & Families

## Statement of Activities Year Ended June 30, 2010

	Total
Changes in unrestricted net assets:	
Public support and revenue:	
Public support:	
Contributions	\$ 326,187
Memorials and honorariums	1,000
<b>Total public support</b>	<u>327,187</u>
Revenue:	
Children and child care:	
Federal, state and county	2,773,180
Adoptive parents	37,429
Local education agency	27,306
Interest and dividends	35,524
Net appreciation in fair value of marketable securities	126,266
Other	14,835
Net assets released from restriction	85,860
<b>Total revenue</b>	<u>3,100,400</u>
<b>Total unrestricted support and revenue</b>	<u>3,427,587</u>
Expenses:	
Program services:	
Safe Passage	251
Illinois Family First	249,613
Bethany Adoption	57,698
Parents Too Soon	72,808
Day Treatment	307,115
Contracted Services	24,107
Communities for Youths	83,363
Supportive Living	93,655
Davenport Police Department	1,412
Intact Family Services	94,251
Capacity Building	168,532
Specialized Foster Care	111,919
Remedial Services	772,894
Relative Foster Care	445,725
Family Loan	65,914
Project Hope	74,067
Therapeutic Recreation	101,841
Know What to Say	21,997
Give Kids a Smile	44,691
Interstate Compact	10,525
Youth Transitional Housing	10,297
CareLink	19,217
Prevention - Other	8,476
<b>Total program services</b>	<u>2,840,368</u>

(Continued)

	Operating	Long-Term Investment	Plant	Family Loan Pool
\$	326,187	\$ -	\$ -	\$ -
	1,000	-	-	-
	<u>327,187</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2,773,180	-	-	-
	37,429	-	-	-
	27,306	-	-	-
	-	35,524	-	-
	-	126,266	-	-
	14,835	-	-	-
	85,860	-	-	-
	<u>2,938,610</u>	<u>161,790</u>	<u>-</u>	<u>-</u>
	<u>3,265,797</u>	<u>161,790</u>	<u>-</u>	<u>-</u>
	251	-	-	-
	241,325	1,233	7,055	-
	55,406	341	1,951	-
	70,193	389	2,226	-
	296,117	1,636	9,362	-
	24,107	-	-	-
	80,593	412	2,358	-
	89,372	637	3,646	-
	1,412	-	-	-
	91,114	467	2,670	-
	164,182	647	3,703	-
	108,982	437	2,500	-
	741,832	4,621	26,441	-
	436,280	1,405	8,040	-
	62,650	1,967	1,297	-
	71,920	319	1,828	-
	98,822	449	2,570	-
	21,263	109	625	-
	44,691	-	-	-
	10,525	-	-	-
	10,297	-	-	-
	19,217	-	-	-
	7,886	88	502	-
	<u>2,748,437</u>	<u>15,157</u>	<u>76,774</u>	<u>-</u>

## Bethany For Children & Families

### Statement of Activities (Continued) Year Ended June 30, 2010

	Total
Supporting services (Note 2):	
Development	\$ 230,199
Management and general	407,010
<b>Total supporting services</b>	<u>637,209</u>
<b>Total unrestricted expense</b>	<u>3,477,577</u>
<b>Increase (decrease) in unrestricted net assets</b>	<u>(49,990)</u>
Changes in temporarily restricted net assets:	
Contributions	10,610
Interest and dividends	2,739
United Way allocation for fiscal 2011	70,922
Net assets released from restriction	(85,860)
<b>Increase (decrease) in temporarily restricted net assets</b>	<u>(1,589)</u>
Transfers and other, plant additions	<u>-</u>
<b>Increase (decrease) in net assets</b>	<u>(51,579)</u>
Net assets, beginning:	
Unrestricted	1,555,651
Temporarily restricted	129,375
<b>Total net assets, beginning</b>	<u>1,685,026</u>
Net assets, ending:	
Unrestricted	1,505,661
Temporarily restricted	127,786
<b>Total net assets, ending</b>	<u>\$ 1,633,447</u>

See Notes to Financial Statements.

Operating	Long-Term Investment	Plant	Family Loan Pool
\$ 223,624	\$ 978	\$ 5,597	\$ -
387,054	7,625	12,331	-
610,678	8,603	17,928	-
3,359,115	23,760	94,702	-
(93,318)	138,030	(94,702)	-
10,610	-	-	-
-	-	-	2,739
70,922	-	-	-
(79,047)	-	-	(6,813)
2,485	-	-	(4,074)
(52,599)	(15,399)	67,998	-
(143,432)	122,631	(26,704)	(4,074)
(505,758)	1,265,816	795,593	-
79,047	-	-	50,328
(426,711)	1,265,816	795,593	50,328
(651,675)	1,388,447	768,889	-
81,532	-	-	46,254
\$ (570,143)	\$ 1,388,447	\$ 768,889	\$ 46,254

**Bethany For Children & Families**

**Statement of Functional Expenses  
Year Ended June 30, 2010**

	Total Functional Expenses	Program Services	
		Total Program Services	Safe Passage
Salaries	\$ 1,887,441	\$ 1,583,926	\$ -
Employee health and retirement benefits	387,815	325,562	-
Payroll taxes	178,728	150,039	-
<b>Total salaries and related expenses</b>	<b>2,453,984</b>	<b>2,059,527</b>	<b>-</b>
Professional fees and contract services	110,199	45,877	-
Supplies	48,958	26,986	-
Telephone	42,065	34,707	-
Postage and shipping	14,262	8,368	15
Occupancy, building and grounds	149,960	122,554	-
Outside printing	14,931	1,632	-
Local transportation	113,611	108,295	225
Conferences and conventions	7,899	6,001	-
Special assistance to individuals	219,504	211,885	-
Organization dues	16,126	235	-
Rental and maintenance of equipment	20,969	19,679	11
Interest	94,118	77,967	-
Miscellaneous	63,153	26,745	-
Bad debt expense	13,136	13,136	-
<b>Subtotals</b>	<b>928,891</b>	<b>704,067</b>	<b>251</b>
Depreciation	94,702	76,774	-
<b>Total expenses</b>	<b>\$ 3,477,577</b>	<b>\$ 2,840,368</b>	<b>\$ 251</b>

(Continued)

Program Services

Illinois Family		Bethany		Parents		Contracted		Communities			
First		Adoption		Too Soon		Day Treatment		Services		For Youths	
\$	158,993	\$	34,597	\$	45,751	\$	199,022	\$	18,527	\$	52,179
	32,615		7,097		9,385		40,826		3,801		10,704
	15,031		3,271		4,325		18,815		1,752		4,933
	206,639		44,965		59,461		258,663		24,080		67,816
	300		308		112		731		-		404
	1,207		125		969		5,627		-		1,903
	4,395		397		853		2,300		-		918
	1,006		163		349		558		-		337
	9,235		2,176		2,619		5,526		-		2,735
	-		502		-		-		-		-
	9,525		1,348		2,327		8,457		27		3,257
	486		-		180		841		-		95
	377		3,338		957		1,167		-		586
	-		30		-		40		-		-
	813		41		18		2,017		-		20
	6,288		1,749		1,911		8,883		-		2,024
	2,287		605		826		2,943		-		910
	-		-		-		-		-		-
	35,919		10,782		11,121		39,090		27		13,189
	7,055		1,951		2,226		9,362		-		2,358
\$	249,613	\$	57,698	\$	72,808	\$	307,115	\$	24,107	\$	83,363

**Bethany For Children & Families**

**Statement of Functional Expenses (Continued)  
Year Ended June 30, 2010**

	Program Services		
	Supportive Living	Davenport Police Department	Intact Family Services
Salaries	\$ 35,542	\$ 945	\$ 61,253
Employee health and retirement benefits	7,291	194	12,565
Payroll taxes	3,360	89	5,791
<b>Total salaries and related expenses</b>	<b>46,193</b>	<b>1,228</b>	<b>79,609</b>
Professional fees and contract services	952	-	112
Supplies	645	-	390
Telephone	1,914	-	1,406
Postage and shipping	520	-	360
Occupancy, building and grounds	4,043	-	2,987
Outside printing	-	-	-
Local transportation	3,133	184	3,163
Conferences and conventions	112	-	20
Special assistance to individuals	27,688	-	-
Organization dues	-	-	-
Rental and maintenance of equipment	402	-	302
Interest	3,247	-	2,379
Miscellaneous	1,160	-	853
Bad debt expense	-	-	-
<b>Subtotals</b>	<b>43,816</b>	<b>184</b>	<b>11,972</b>
Depreciation	3,646	-	2,670
<b>Total expenses</b>	<b>\$ 93,655</b>	<b>\$ 1,412</b>	<b>\$ 94,251</b>

(Continued)

Program Services

Capacity Building	Specialized Foster Care	Remedial Services	Relative Foster Care	Family Loan	Project Hope
\$ 88,288	\$ 43,293	\$ 460,469	\$ 200,963	\$ 26,846	\$ 41,403
18,111	8,881	95,092	41,225	5,507	8,493
8,347	4,093	43,824	18,999	2,538	3,914
114,746	56,267	599,385	261,187	34,891	53,810
24,706	3,711	4,787	5,468	58	80
1,283	450	4,729	2,192	259	665
1,296	1,161	10,073	6,079	501	1,175
569	327	1,310	1,427	185	261
3,917	2,693	63,517	10,515	1,511	2,118
1,006	-	84	40	-	-
606	2,559	26,179	23,677	521	10,670
443	68	1,130	911	349	46
7	38,889	730	115,188	600	1,176
-	-	105	-	-	-
11,894	273	2,495	968	10	16
3,179	2,223	23,646	7,170	10,439	1,569
1,177	798	8,283	2,863	2,157	653
-	-	-	-	13,136	-
50,083	53,152	147,068	176,498	29,726	18,429
3,703	2,500	26,441	8,040	1,297	1,828
\$ 168,532	\$ 111,919	\$ 772,894	\$ 445,725	\$ 65,914	\$ 74,067

**Bethany For Children & Families**

**Statement of Functional Expenses (Continued)  
Year Ended June 30, 2010**

	Program Services		
	Therapeutic Recreation	Know What to Say	Give Kids a Smile
Salaries	\$ 60,548	\$ 10,209	\$ 29,407
Employee health and retirement benefits	12,421	2,094	6,041
Payroll taxes	5,724	965	2,784
<b>Total salaries and related expenses</b>	<b>78,693</b>	<b>13,268</b>	<b>38,232</b>
Professional fees and contract services	981	3,052	103
Supplies	3,874	1,802	495
Telephone	1,564	242	-
Postage and shipping	392	132	126
Occupancy, building and grounds	3,491	751	-
Outside printing	-	-	-
Local transportation	5,344	490	5,735
Conferences and conventions	296	889	-
Special assistance to individuals	1,071	-	-
Organization dues	60	-	-
Rental and maintenance of equipment	394	5	-
Interest	2,292	537	-
Miscellaneous	819	204	-
Bad debt expense	-	-	-
<b>Subtotals</b>	<b>20,578</b>	<b>8,104</b>	<b>6,459</b>
Depreciation	2,570	625	-
<b>Total expenses</b>	<b>\$ 101,841</b>	<b>\$ 21,997</b>	<b>\$ 44,691</b>

Program Services				Supporting Services		
Interstate Compact	Youth Transitional Housing	CareLink	Prevention - Other	Total Supporting Services	Management and General	Development
\$ 7,562	\$ 3,403	\$ -	\$ 4,726	\$ 303,515	\$ 204,262	\$ 99,253
1,551	698	-	970	62,253	41,893	20,360
715	322	-	447	28,689	19,306	9,383
9,828	4,423	-	6,143	394,457	265,461	128,996
-	-	-	12	64,322	55,103	9,219
25	241	-	105	21,972	4,976	16,996
-	312	-	121	7,358	5,404	1,954
298	-	-	33	5,894	2,188	3,706
-	4,354	-	366	27,406	15,976	11,430
-	-	-	-	13,299	199	13,100
374	107	-	387	5,316	2,613	2,703
-	20	-	115	1,898	1,184	714
-	840	19,217	54	7,619	-	7,619
-	-	-	-	15,891	15,433	458
-	-	-	-	1,290	683	607
-	-	-	431	16,151	11,316	4,835
-	-	-	207	36,408	14,143	22,265
-	-	-	-	-	-	-
697	5,874	19,217	1,831	224,824	129,218	95,606
-	-	-	502	17,928	12,331	5,597
\$ 10,525	\$ 10,297	\$ 19,217	\$ 8,476	\$ 637,209	\$ 407,010	\$ 230,199

## Bethany For Children & Families

### Statement of Cash Flows Year Ended June 30, 2010

Cash flows from operating activities:	
Change in net assets	\$ (51,579)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	94,702
Net appreciation in fair value of marketable securities	(126,266)
Contribution of asset held for sale	(30,000)
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	36,063
Contributions receivable	17,825
Prepaid expenses	(18,209)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(73,251)
<b>Net cash (used in) operating activities</b>	<b>(150,715)</b>
Cash flows from investing activities:	
Purchase of marketable securities	(2,160,832)
Sale and maturity of marketable securities	2,163,393
Purchase of land, buildings and equipment	(25,704)
Redemption of life insurance policy	310,000
Payments on loans receivable, net	22,364
<b>Net cash provided by investing activities</b>	<b>309,221</b>
Cash flows from financing activities:	
Proceeds from note payable, net	145,375
Payments on long-term debt	(181,159)
Payments on capital leases	(3,960)
<b>Net cash (used in) financing activities</b>	<b>(39,744)</b>
<b>Net increase in cash and cash equivalents</b>	<b>118,762</b>
Cash and cash equivalents, beginning	26,343
Cash and cash equivalents, ending	<u>\$ 145,105</u>
Supplemental disclosure of cash flow information, cash	
payments for interest	\$ 95,262

See Notes to Financial Statements.

## Bethany For Children & Families

### Notes to Financial Statements

---

#### Note 1. Nature of Operations and Significant Accounting Policies

##### Nature of operations:

Bethany For Children & Families is a private not-for-profit, nonsectarian, multi-service agency serving children and families since 1899. Bethany For Children & Families is a bi-state agency, with services offered in Iowa and Illinois, that is open to all regardless of race, color, national origin, sex or disability. It is governed by a volunteer Board of Directors representing the geographical area served by the Agency. Bethany For Children & Families' continuum of care covers: Foster Care, Special Needs, Infant and Single Parent Adoption, Child Abuse/Neglect Services, Family Counseling, Prevention and Educational Services, Family Preservation, Supportive Living and Day Treatment Services.

##### Significant accounting policies:

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation: Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Bethany For Children & Families and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that neither expire by the passage of time and/or otherwise removed by actions of Bethany For Children & Families. There were no permanently restricted net assets as of June 30, 2010.

Functional expenses and basis of allocations: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. The allocation of program service expenses is made on an individual item basis if the expense can be readily allocable to a specific function. Social worker salaries are allocated according to the units of service provided. For program service costs not readily allocable to one function, the cost is allocated on the basis of salaries allocated to each specific function. The costs not readily allocable to any of the functions are classified with supporting services or management and general.

Cash and cash equivalents: For purposes of reporting cash flows, Bethany For Children & Families considers all bank accounts to be cash and cash equivalents, except for cash and cash equivalents held by Quad City Bank and Trust which are classified as investments and, therefore, are excluded from cash and cash equivalents on the cash flow statement.

## Bethany For Children & Families

### Notes to Financial Statements

---

#### Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Accounts receivable and loans receivable: Accounts receivable are carried at contract amount and loans receivable are carried at the amount of unpaid principal less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determined the allowance for doubtful accounts for the year ended June 30, 2010 by reserving 15 percent of total gross loans receivable based on historical losses. Accounts and loans receivable are written off when deemed uncollectible. Recoveries of accounts and loans receivable previously written off are recorded when received. Accounts and loans receivable are determined to be past due on a case-by-case basis based on circumstances. Management has also accrued a liability for loans which are guaranteed by the Organization but are held by the Ways to Work national office using the same 15 percent provision.

The provision for bad debts charged to expense was \$13,136 for the year ended June 30, 2010.

Long-term investments: The investments are held in an investment account consisting of cash and cash equivalents carried at cost and marketable corporate, government and agency bond mutual funds, which are carried at their fair value based primarily on quoted market prices, provided by a third party servicer.

Assets held for sale: The asset held for sale is carried at the lower of cost or market.

Land, buildings and equipment: Land, buildings and equipment are carried at cost (if a gift, the estimated fair market value of the asset as of the date received). Depreciation is computed by the straight-line method over the estimated useful lives of the assets. The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Board-designated unrestricted net assets: Unrestricted board-designated net asset have been designated by the Board of Directors for long-term investment (endowment). The Organization's spending policy for endowment funds is based on the discretion of the Board of Directors. Currently there are no specific limitations imposed, other than prior approval of the Board of Directors before use of funds. As of June 30, 2010, board-designated net assets of \$1,388,447 consist of the majority of the Organization's investments and related accrued interest. The Organization's investment policy establishes a target annualized rate of return of 8.5 percent. To satisfy this objective, the Organization sets parameters for diversification among equity and fixed income allocations. Board-designated net assets increased \$122,631 from June 30, 2009 to June 30, 2010 due to investment income of \$35,524, net appreciation in fair value of \$126,266, fees of \$23,760, additions of \$6,665 and transfers out appropriated by the Board of \$22,064.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue at the earlier of when the unconditional promises to give are made or when received.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenue.

Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets 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 long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

## Bethany For Children & Families

### Notes to Financial Statements

---

#### Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Grant revenue: Grants are accounted for as exchange transactions and the revenue is recognized on these grants upon the fulfillment of the restriction detailed in the grant documents.

Income taxes: Bethany For Children & Families is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization adopted the provisions of the Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes on July 1, 2009. The Organization files a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to not-for-profit include such matters as the following: the tax exempt status and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990T, as appropriate. The benefit of tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the “more likely than not” recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying statement of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of June 30, 2010, there were no uncertain tax benefits identified and recorded as a liability.

The Form 990 filed by the Organization is subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Form 990 filed by the Organization is no longer subject to examination for the years 2006 and prior.

Fundraising expenses: The supporting service of development on the Statement of Functional Expenses is the general fundraising expenses of the Organization.

Subsequent events: The Organization has evaluated subsequent events through March 30, 2011, which is the date through which the financial statements were available to be issued.

## Bethany For Children & Families

### Notes to Financial Statements

---

#### Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Recent accounting pronouncements: In May 2009, the FASB issued an Accounting Standards Codification 958, *Not-for-Profit Entities: Mergers and Acquisitions*. This guidance determines whether a combination is a merger or an acquisition; applies the carryover method of accounting for a merger; applies the acquisition method of accounting for an acquisition, including determining which of the combining entities is the acquirer; and determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition. This standard also amends FASB ASC 350, *Goodwill and Other Intangible Assets* and FASB ASC 820 *Noncontrolling Interests in Consolidated Financial Statements*, to make them fully applicable to not-for-profit entities. FASB ASC 810 is intended to improve reporting of noncontrolling interests in consolidated financial statements and will require noncontrolling interests to be classified as a component of net assets. The guidance is effective for fiscal years beginning on or after December 15, 2009, with early adoption prohibited. The Organization is currently assessing the impact, if any, the adoption of these standards will have on its financial statements

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures Topic (Topic 820): Improving Disclosures about Fair Value Measurements*. The objective of this AUS is to provide amendments to fair value measurements and disclosures that will provide more robust disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements and transfers between Level 1, 2, and 3. The new disclosures and clarifications of existing disclosures are effective for annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for annual periods beginning after December 15, 2010. Management is currently assessing the impact the pending adoption on the Organization's financial statements.

#### Note 2. Contributions

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions are recorded after discounting to the present value of the future cash flows if they are due after one year. As of June 30, 2010, contributions receivable are \$20,500, and are all expected to be realized in the current year. There is no allowance for doubtful contributions receivable as management believes all contributions receivable are fully collectible. In addition, as of June 30, 2010, the Organization has a contribution receivable from the United Way for the next fiscal year of \$70,922.

There are no conditional promises to give as of June 30, 2010.

## Bethany For Children & Families

### Notes to Financial Statements

---

#### Note 3. Loans Receivable

The Organization has developed a Family Loan Fund to provide loans to low income parents who are unable to get financing elsewhere. These loans mature at various times through June 2012 and each loan bears interest at 1 percent above the prime rate at the time of the loan. The loans are all unsecured.

Maturities of these loans are as follows:

Year ending June 30:

2011	\$	10,612
2012		575
		<u>11,187</u>
Less allowance for doubtful accounts		<u>(1,678)</u>
		9,509
Less current portion		<u>(9,509)</u>
	\$	<u><u>-</u></u>

#### Note 4. Marketable Securities

Marketable securities as of June 30, 2010 consist of the following:

Cash and cash equivalents	\$	12,088
Mutual funds		732,197
Fixed income securities		640,486
	\$	<u><u>1,384,771</u></u>

The investments of the Organization are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The fair value hierarchy set forth in the Topic is as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

## Bethany For Children & Families

### Notes to Financial Statements

#### Note 4. Marketable Securities (Continued)

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Investments: Where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange traded equities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, and certain corporate, asset backed and other securities. If there was limited activity or less transparency around inputs to the valuation including alternative investments, securities would be classified within level 3 of the valuation hierarchy.

#### Assets and liabilities recorded at fair value on a recurring basis:

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements as of June 30, 2010 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets, investments:				
Mutual funds:				
Domestic:				
Small/mid-cap equities	\$ 152,473	\$ 152,473	\$ -	\$ -
Large-cap equities	358,845	358,845	-	-
International:				
Small/mid-cap equities	54,522	54,522	-	-
Large-cap equities	166,357	166,357	-	-
Fixed Income:				
Corporate bonds	108,917	108,917	-	-
Inflation protected bond fund	98,623	98,623	-	-
Intermediate government bond fund	109,197	109,197	-	-
Intermediate-term bond fund	110,068	110,068	-	-
U.S government agency obligations	213,681	-	213,681	-
	<u>\$ 1,372,683</u>	<u>\$ 1,159,002</u>	<u>\$ 213,681</u>	<u>\$ -</u>

The investments above do not include cash and cash equivalents of \$12,088 which are carried at cost.

#### Note 5. Note Payable

The Organization has a revolving credit agreement for \$1,000,000 with a bank, principal due April 2011, with interest at prime rate with a minimum of 4.33 percent (prime was 3.25 percent as of June 30, 2010) due monthly. Amount borrowed under this agreement is collateralized by marketable securities designated for long-term investment. Borrowings as of June 30, 2010 are \$826,424. The note payable contains certain covenants to provide periodic financial information. The Organization obtained a waiver from the Bank for this covenant on March 11, 2011.

## Bethany For Children & Families

### Notes to Financial Statements

---

#### Note 6. Pledged Assets and Long-Term Debt

A summary of the Organization's long-term debt and collateral pledged thereon, consisted of the following as of June 30, 2010:

Note payable to Illinois Facilities Fund, due January 1, 2026, interest starting at 6.625%. (A)	\$ 409,513
Note payable to Illinois Facilities Fund, due January 1, 2026, interest starting at 6.625%. (A)	409,512
Note payable to Ways to Work, Inc. with principal payment of \$155,000 and interest at 4% due December 26, 2010, unsecured. (B)	155,000
<b>Long-term debt</b>	<u>974,025</u>
Less current maturities	183,091
	<u><u>\$ 790,934</u></u>

(A) The Organization has two notes payable with the Illinois Facilities Fund for \$819,025 total. Each note bears interest at 6.625 percent which will adjust after January 1, 2012. Each note requires monthly principal and interest payments of \$3,396 with final maturity on January 1, 2026. These notes are collateralized by all of the Organization's land, buildings and improvements and contain certain covenants to provide periodic financial information. The Organization obtained a waiver for these covenants on March 4, 2011.

(B) Subsequent to year-end, this loan was paid in full.

Aggregate maturities required on long-term debt are due as follows:

Year ending June 30:

2011	\$ 183,091
2012	30,009
2013	32,059
2014	34,248
2015	36,588
Thereafter	658,030
	<u><u>\$ 974,025</u></u>

## Bethany For Children & Families

### Notes to Financial Statements

---

#### Note 7. Capital Lease Obligations

The Organization's capital lease obligations consisted of the following as of June 30, 2010:

Capital lease obligation with monthly charge of \$220 through April 2014, collateralized by equipment with a net book value of \$7,456	\$ 7,904
Capital lease obligation with monthly charge of \$203 through April 2014, collateralized by equipment with a net book value of \$6,730	7,294
Capital lease obligation with monthly charge of \$149 through April 2014, collateralized by equipment with a net book value of \$5,052	5,375
<b>Long-term debt</b>	<u>20,573</u>
Less current maturities	4,407
	<u><u>\$ 16,166</u></u>

Future minimum lease payments under capital leases are due as follows:

Year ending June 30:

2011	\$ 6,864
2012	6,864
2013	6,864
2014	5,720
<b>Total minimum lease payments</b>	<u>26,312</u>
Less amounts representing interest	5,739
<b>Present value of future minimum lease payments</b>	<u><u>\$ 20,573</u></u>

#### Note 8. Employee Benefit Plans

The Organization had a defined contribution plan adopted under Section 401(a) of the Internal Revenue Code that was terminated and all contributions to this plan stopped as of December 31, 2009. Active participants were given the option to roll their accounts in the 401(a) plan into the 403(b) plan discussed below. Other participants and those not electing to roll their accounts into the 403(b) plan were paid out.

The Organization administers an annuity plan under Section 403(b) of the Internal Revenue Code for all eligible employees as defined by the plan. Prior to January 1, 2010, all contributions to the plan were made by the employees. After January 1, 2010, the Organization's contributions previously made to the 401(a) plan were made to the 403(b) plan. The Organization's contribution to the plans for the year ended June 30, 2010 was \$146,109.

## **Bethany For Children & Families**

### **Notes to Financial Statements**

---

#### **Note 9. Contractual Arrangements with Third-Party Agencies**

Approximately 78 percent of the Organization's support and revenue is earned under various term agreements with numerous third-party payors for the year ended June 30, 2010. These agreements provide for payments to the Organization at established rates for specific program use.

#### **Note 10. Contingency**

One program the Organization receives funding for has periodic reviews by the State and, based on those reviews, the State can adjust the amount allowed to be charged to the program retrospectively. As such, revenue received for this program could be adjusted for the year ended June 30, 2010; however, the amount of that adjustment is not known. Total revenue for this program was \$697,836 for the year ended June 30, 2010.

#### **Note 11. Subsequent Event**

In November 2010, the Organization sold an asset held for sale with a net book value of \$30,000 for \$49,900, which will result in a gain on sale of \$19,900.

**Bethany For Children & Families**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Transportation, Federal Transit Administration			
Passed through:			
Ways to Work, Job Access Reverse Commute	20.516	1007805	\$ 33,109
United States Department of Health and Human Services:			
Compassion Capital Fund Communities Empowering Youth (Direct)	93.009	90IC0065	190,850
Passed through:			
Illinois Department of Children and Family Services:			
Promoting Safe and Stable Families	93.556	310-510-001	4,907
Promoting Safe and Stable Families	93.556	310-510-201	2,910
Promoting Safe and Stable Families	93.556	310-510-213	45,630
Promoting Safe and Stable Families	93.556	310-510-219	68,737
Promoting Safe and Stable Families	93.556	310-510-221	561
			<u>122,745</u>
Illinois Department of Human Services:			
Social Services Block Grant	93.667	807624900	115,681
Social Services Block Grant	93.667	824084400	5,000
			<u>120,681</u>
Illinois Department of Children and Family Services,			
Maternal and Child Health Services Block Grant to the States	93.994	828724400	74,600
			<u>74,600</u>
			<u>\$ 541,985</u>

See Notes to Schedule of Expenditures of Federal Awards.

## **Bethany For Children & Families**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010**

---

#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bethany For Children & Families and is presented on the accrual basis of accounting except for amounts shown from the Illinois Department of Children and Family Services (DCFS) which are shown on a cash basis. DCFS will only provide federal amounts to sub-recipients on a cash basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### **Note 2. Subrecipients**

No amounts were provided to subrecipients.

## Bethany For Children & Families

### Cost Report for the State of Illinois Department of Children and Family Services and Department of Human Services Year Ended June 30, 2010

	Agency Total	All Other Not Allocated	FC Downstate	Spec FC
<b>Support and revenue:</b>				
Fees and purchase of services:				
Illinois Department of Children and Family Services	\$ 775,272	\$ 277,861	\$ -	\$ 121,376
Department of Human Services	874,161	366,777	507,384	-
Local education agency	27,306	27,306	-	-
Local government	90,000	90,000	-	-
Federal government	190,848	190,848	-	-
Other government agencies	842,899	842,899	-	-
Special service fees for individual clients	37,429	37,429	-	-
<b>Total fees and purchase of services</b>	<b>2,837,915</b>	<b>1,833,120</b>	<b>507,384</b>	<b>121,376</b>
Contributions and other:				
Restricted to operations	94,931	94,931	-	-
Unrestricted	328,621	328,202	167	-
Gain on sale of assets	85,891	85,891	-	-
<b>Total contributions and other</b>	<b>509,443</b>	<b>509,024</b>	<b>167</b>	<b>-</b>
Investment income and other, gain on unrestricted assets/investments				
	78,640	78,640	-	-
<b>Total support and revenue, excluding net assets released from restrictions</b>	<b>\$ 3,425,998</b>	<b>\$ 2,420,784</b>	<b>\$ 507,551</b>	<b>\$ 121,376</b>
<b>Expenses:</b>				
Program expenses:				
Program staff salaries	\$ 1,564,654	\$ 1,127,009	\$ 202,536	\$ 43,705
Clerical staff salaries	88,408	73,154	5,407	1,340
Payroll taxes and fringe benefits	496,191	360,470	62,315	13,499
All other direct service equipment and supplies	39,641	31,069	4,062	894
Client transportation	113,488	73,828	24,056	2,654
Direct service staff conferences and convention	7,898	5,974	1,082	112
Program insurance	12,734	9,391	1,322	396
Direct client specific assistance	69,905	33,747	7,853	240
Telecommunication costs assigned to program	42,067	26,932	6,864	1,358
Foster care payments	145,911	52	107,248	38,611
<b>Total program expenses</b>	<b>2,580,897</b>	<b>1,741,626</b>	<b>422,745</b>	<b>102,809</b>

(Continued)

	Ind. Living		Intact Families
\$	93,327	\$	282,708
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	93,327		282,708
	-		-
	-		252
	-		-
	-		252
	-		-
\$	93,327	\$	282,960

\$	35,910	\$	155,494
	1,098		7,409
	11,090		48,817
	1,181		2,435
	3,213		9,737
	148		582
	541		1,084
	27,688		377
	2,079		4,834
	-		-
	82,948		230,769

**Bethany For Children & Families**

**Cost Report for the State of Illinois  
Department of Children and Family Services and Department of Human Services (Continued)  
Year Ended June 30, 2010**

	Agency Total	All Other Not Allocated	FC Downstate	Spec FC
Support expenses, dietary supplies	\$ 27,263	\$ 25,835	\$ 683	\$ 183
Occupancy expenses:				
Building and equipment operations and maintenance	169,939	136,148	13,882	3,569
All other depreciation and amortization	94,703	69,844	9,830	2,949
Vehicle rent	122	122	-	-
Equipment under \$500	991	951	20	5
Operating interest	94,119	71,870	8,813	2,636
<b>Total occupancy expenses</b>	<b>359,874</b>	<b>278,935</b>	<b>32,545</b>	<b>9,159</b>
Administrative and office expenses:				
Administrative salaries	234,376	188,552	22,671	5,693
Payroll taxes and fringe benefits	70,352	56,622	6,793	1,706
Administrative consultants	94,844	70,468	12,465	5,455
Office supplies and equipment	79,687	67,245	5,835	1,477
Employment fees, data processing, printing and subscriptions	30,284	27,965	1,070	271
<b>Total administrative and office expenses</b>	<b>509,543</b>	<b>410,852</b>	<b>48,834</b>	<b>14,602</b>
<b>Total expenses</b>	<b>\$ 3,477,577</b>	<b>\$ 2,457,248</b>	<b>\$ 504,807</b>	<b>\$ 126,753</b>

Note: Total expenses include the allocation of management and general expenses.

Ind. Living	Intact Families
\$ 203	\$ 359
4,949	11,391
4,022	8,058
-	-
4	11
3,592	7,208
<u>12,567</u>	<u>26,668</u>
4,764	12,696
1,427	3,804
2,343	4,113
1,522	3,608
295	683
<u>10,351</u>	<u>24,904</u>
<u>\$ 106,069</u>	<u>\$ 282,700</u>

Bethany For Children & Families

Statement of Inflows and Outflows, Program Under Contract with  
Illinois Norman Cash Assistance Contract  
Year Ended June 30, 2010

---

Inflows, Illinois Department of Children and Family Services (DCFS)	\$ 86,800
Outflows, specific assistance to individuals	<u>(57,525)</u>
<b>Excess of inflows over outflows recorded as accounts payable</b>	<u><u>\$ 29,275</u></u>

**Bethany For Children & Families**

**Comparative Financial Statistics**

<b>Statement of Activities Statistics</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Public support and revenue:			
Public support:			
Contributions	\$ 326,187	\$ 287,080	\$ 458,227
Memorials and honorariums	1,000	14,680	20,012
<b>Total public support</b>	<b>327,187</b>	<b>301,760</b>	<b>478,239</b>
Revenue:			
Children and child care:			
Federal, state and county	2,773,180	3,208,596	3,229,637
Adoptive parents	37,429	88,371	94,263
Local education agency	27,306	41,010	40,480
Interest and dividends	35,524	38,893	48,727
Net (depreciation) appreciation in fair market value of marketable securities	126,266	(299,599)	(99,498)
Other	14,835	2,688	59,894
Net assets released from restriction	85,860	108,326	239,606
<b>Total revenue</b>	<b>3,100,400</b>	<b>3,188,285</b>	<b>3,613,109</b>
<b>Total unrestricted support and revenue</b>	<b>\$ 3,427,587</b>	<b>\$ 3,490,045</b>	<b>\$ 4,091,348</b>

(Continued)

## Bethany For Children & Families

### Comparative Financial Statistics (Continued)

<b>Statement of Activities Statistics</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Expenses:			
Program services:			
Safe Passage	\$ 251	\$ 28,263	\$ 39,634
Illinois Family First	249,613	246,481	275,235
Bethany Adoption	57,698	79,043	103,656
Parents Too Soon	72,808	74,164	75,728
Pregnancy and Parenting Support	-	9,424	9,517
Day Treatment	307,115	327,536	360,985
Contracted Services	24,107	6,815	74,207
Communities for Youths	83,363	95,328	94,408
Supportive Living	93,655	121,130	176,621
Davenport Police Department	1,412	53,921	58,765
Intact Family Services	94,251	90,766	102,729
Families to Families	-	15,945	51,022
Capacity Building	168,532	160,980	131,392
Specialized Foster Care	111,919	167,216	140,758
Remedial Services	772,894	930,284	749,927
Relative Foster Care	445,725	498,478	533,095
Family Loan	65,914	61,728	80,640
Project Hope	74,067	86,602	77,399
RTSS	-	-	165,503
Therapeutic Recreation	101,841	103,711	102,889
Know What to Say	21,997	25,238	28,723
Anti-Gang	-	43,409	28,725
Give Kids a Smile	44,691	-	-
Interstate Compact	10,525	-	-
Youth Transitional Housing	10,297	-	-
CareLink	19,217	-	-
Prevention - Other	8,476	8,963	3,851
<b>Total program services</b>	<b>2,840,368</b>	<b>3,235,425</b>	<b>3,465,409</b>
Supporting services:			
Development	230,199	286,905	252,976
Management and general	407,010	471,336	403,534
<b>Total supporting services</b>	<b>637,209</b>	<b>758,241</b>	<b>656,510</b>
<b>Total unrestricted expenses</b>	<b>\$ 3,477,577</b>	<b>\$ 3,993,666</b>	<b>\$ 4,121,919</b>



**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Directors  
Bethany For Children & Families  
Moline, Illinois

We have audited the financial statements of Bethany For Children & Families as of and for the year ended June 30, 2010, and have issued our report thereon dated March 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Bethany For Children & Families' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bethany For Children & Families' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bethany For Children & Families' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bethany For Children & Families' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
March 30, 2011



**Independent Auditor's Report on Compliance With  
Requirements That Could Have a Direct and Material  
Effect on Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors  
Bethany For Children & Families  
Moline, Illinois

**Compliance**

We have audited Bethany For Children & Families compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Bethany For Children & Families' major federal program is identified in the summary of auditor's results section of the accompanying *schedule of findings and questioned costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Bethany For Children & Families' management. Our responsibility is to express an opinion on Bethany For Children & Families' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bethany For Children & Families' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bethany For Children & Families' compliance with those requirements.

In our opinion, Bethany For Children & Families complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

**Internal Control Over Compliance**

Management of Bethany For Children & Families is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bethany For Children & Families' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bethany For Children & Families' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
March 30, 2011

**Bethany For Children & Families**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

---

**I. Summary of the Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Number	Name of Federal Program
93.009	Compassion Capital Fund Communities Empowering Youth

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

(Continued)

**Bethany For Children & Families**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2010**

---

**Part II. Findings Related to the Financial Statement Audit as Required to be  
Reported in Accordance With Generally Accepted Government Auditing Standards**

A. Internal Control

No matters were reported.

B. Compliance

No matters were reported.

**Part III. Findings and Questioned Costs for Federal Awards**

C. Internal Control

No matters were reported.

D. Compliance

No matters were reported.

**Bethany For Children & Families**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010**

---

No matters reported.

**Bethany For Children & Families**

**Corrective Action Plan  
Year Ended June 30, 2010**

---

No current year findings.