



Financial and Compliance Report  
June 30, 2020

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Bethany for Children & Families

### Report on the Financial Statements

We have audited the accompanying financial statements of Bethany for Children & Families which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**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, 2020, and the changes in net assets and cash flows thereof and for the year 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 February 24, 2021 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 an audit performed in accordance with *Government Auditing Standards* in considering Bethany for Children & Families' internal control over financial reporting and compliance.

*RSM US LLP*

Davenport, Iowa  
February 24, 2021

## Bethany for Children & Families

### Statement of Financial Position June 30, 2020

	Total	Operating	Long-Term Investment	Plant
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 517,073	\$ 517,073	\$ -	\$ -
Accrued interest receivable	192	-	192	-
Accounts receivable:				
Public agencies, net	738,530	738,530	-	-
United Way allocation for fiscal 2021	80,199	80,199	-	-
Prepaid expenses	19,243	19,243	-	-
<b>Total current assets</b>	<b>1,355,237</b>	<b>1,355,045</b>	<b>192</b>	<b>-</b>
Marketable securities	2,215,187	-	2,215,187	-
Land, buildings and equipment:				
Land and land improvements	175,000	-	-	175,000
Buildings and building improvements	1,475,084	-	-	1,475,084
Furniture and equipment, including assets acquired under capital lease of \$41,990	234,397	-	-	234,397
Automobiles	302,894	-	-	302,894
Construction in process	813	-	-	813
	2,188,188	-	-	2,188,188
Less accumulated depreciation, including amounts applicable to assets acquired under capital leases of \$11,897	1,181,589	-	-	1,181,589
<b>Total land, buildings and equipment</b>	<b>1,006,599</b>	<b>-</b>	<b>-</b>	<b>1,006,599</b>
	<b>\$ 4,577,023</b>	<b>\$ 1,355,045</b>	<b>\$ 2,215,379</b>	<b>\$ 1,006,599</b>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Current portion of long-term debt	\$ 26,579	\$ -	\$ -	\$ 26,579
Current portion of capital leases	8,955	-	-	8,955
Accounts payable and accrued expenses	442,901	442,901	-	-
<b>Total current liabilities</b>	<b>478,435</b>	<b>442,901</b>	<b>-</b>	<b>35,534</b>
Long-term debt, net of current portion	166,466	-	-	166,466
Refundable advances	674,427	674,427	-	-
Capital lease obligations, net of current portion	20,406	-	-	20,406
<b>Total liabilities</b>	<b>1,339,734</b>	<b>1,117,328</b>	<b>-</b>	<b>222,406</b>
Net assets:				
Without donor restrictions:				
Board-designated for long-term investment (Note 8)	1,997,813	-	1,997,813	-
Net investment in plant	784,193	-	-	784,193
Undesignated	157,518	157,518	-	-
	2,939,524	157,518	1,997,813	784,193
With donor restrictions:				
Restricted by time or purpose:				
United Way allocation for fiscal 2021	80,199	80,199	-	-
Endowment earnings and appreciation	15,608	-	15,608	-
Restricted in perpetuity (Note 8)	201,958	-	201,958	-
	297,765	80,199	217,566	-
<b>Total net assets</b>	<b>3,237,289</b>	<b>237,717</b>	<b>2,215,379</b>	<b>784,193</b>
	<b>\$ 4,577,023</b>	<b>\$ 1,355,045</b>	<b>\$ 2,215,379</b>	<b>\$ 1,006,599</b>

See notes to financial statements.

## Bethany for Children & Families

### Statement of Activities Year Ended June 30, 2020

	Total	Operating	Long-Term Investment	Plant
<b>Change in net assets without donor restrictions from operating activities</b>				
Public support and revenue from operations:				
Public support:				
Contributions	\$ 311,827	\$ 311,827	\$ -	\$ -
Memorials and honorariums	10	10	-	-
<b>Total public support</b>	<b>311,837</b>	<b>311,837</b>	<b>-</b>	<b>-</b>
Revenue from operations:				
Children and child care:				
Federal, state and county	4,912,571	4,912,571	-	-
Adoptive parents	19,951	19,951	-	-
Local education agency	33,648	33,648	-	-
Other	9,306	9,306	-	-
Net assets released from restriction	104,643	103,500	1,143	-
<b>Total revenue from operations</b>	<b>5,080,119</b>	<b>5,078,976</b>	<b>1,143</b>	<b>-</b>
<b>Revenue from public support and operations</b>	<b>5,391,956</b>	<b>5,390,813</b>	<b>1,143</b>	<b>-</b>
Operating expenses:				
Program services:				
Intact Family Services	467,355	460,776	1,103	5,476
Infant Adoption	5,051	5,051	-	-
Teen Pregnancy Prevention	16,802	16,457	58	287
Day Treatment	282,763	278,291	750	3,722
Independent Living	52,621	50,992	273	1,356
Direct Family Intervention	80,068	78,521	259	1,288
Specialized Foster Care	237,454	234,580	482	2,392
Mental and Behavioral Health	1,116,039	1,092,942	3,872	19,225
Relative Foster Care	975,721	966,652	1,520	7,549
Therapeutic Recreation	129,174	126,022	214	2,938
CAPP	53,025	52,281	125	619
Give Kids a Smile	157,518	154,063	579	2,876
Housing Teens Now	76,416	75,995	71	350
PREP	39,980	39,383	100	497
Housing Families Now	108,218	107,805	69	344
Illinois Therapy	145,193	143,838	227	1,128
Wrap Around Services	332,861	327,106	965	4,790
Housing Teens in Need	60,475	60,077	67	331
Moline Community Development Corp	42,358	42,358	-	-
<b>Total program services</b>	<b>4,379,092</b>	<b>4,313,190</b>	<b>10,734</b>	<b>55,168</b>
Supporting services:				
Development	177,487	174,973	429	2,085
Management and general	531,586	526,931	583	4,072
<b>Total supporting services</b>	<b>709,073</b>	<b>701,904</b>	<b>1,012</b>	<b>6,157</b>
<b>Total operating expenses</b>	<b>5,088,165</b>	<b>5,015,094</b>	<b>11,746</b>	<b>61,325</b>
<b>Change in net assets without donor restrictions from operating activities</b>	<b>\$ 303,791</b>	<b>\$ 375,719</b>	<b>\$ (10,603)</b>	<b>\$ (61,325)</b>

(Continued)

**Bethany for Children & Families**

**Statement of Activities (Continued)**  
**Year Ended June 30, 2020**

	Total	Operating	Long-Term Investment	Plant
<b>Nonoperating activities</b>				
Interest and dividends	\$ 57,821	\$ -	\$ 57,821	\$ -
Realized losses on marketable securities	(38,822)	-	(38,822)	-
Net depreciation in fair value of marketable securities	(69,077)	-	(69,077)	-
Gain on sale of property and equipment	52,489	-	-	52,489
<b>Change in net assets without donor restrictions from nonoperating activities</b>	<b>2,411</b>	<b>-</b>	<b>(50,078)</b>	<b>52,489</b>
<b>Change in net assets without donor restrictions</b>	<b>306,202</b>	<b>375,719</b>	<b>(60,681)</b>	<b>(8,836)</b>
Transfers and other, plant and investment additions	-	(46,596)	3,173	43,423
<b>Changes in net assets with donor restrictions:</b>				
United Way allocation for fiscal 2021	80,199	80,199	-	-
Interest and dividends	5,400	-	5,400	-
Net depreciation in fair value of marketable securities	(7,189)	-	(7,189)	-
Contributions	51,958	-	51,958	-
Net assets released from restriction	(104,643)	(103,500)	(1,143)	-
<b>Change in net assets with donor restrictions</b>	<b>25,725</b>	<b>(23,301)</b>	<b>49,026</b>	<b>-</b>
<b>Increase (decrease) in total net assets</b>	<b>331,927</b>	<b>305,822</b>	<b>(8,482)</b>	<b>34,587</b>
Net assets at beginning of year	2,905,362	(68,105)	2,223,861	749,606
Net assets at end of year	<u>\$ 3,237,289</u>	<u>\$ 237,717</u>	<u>\$ 2,215,379</u>	<u>\$ 784,193</u>

See notes to financial statements.

**Bethany for Children & Families**

**Statement of Functional Expenses  
Year Ended June 30, 2020**

	Total Functional Expenses	Program Services	
		Total Program Services	Intact Family Services
Salaries	\$ 3,007,323	\$ 2,592,848	\$ 320,956
Employee health and retirement benefits	492,615	411,464	53,613
Payroll taxes	257,801	212,856	23,712
<b>Total salaries and related expenses</b>	<b>3,757,739</b>	<b>3,217,168</b>	<b>398,281</b>
Professional fees and contract services	270,912	204,283	2,990
Supplies	24,536	20,130	1,321
Telephone	11,113	10,318	710
Postage and shipping	9,759	3,818	377
Occupancy, building and grounds	147,330	119,323	15,764
Outside printing	10,149	38	-
Local transportation	107,036	103,503	17,584
Conferences and conventions	11,664	7,622	884
Special assistance to individuals	569,441	569,441	17,895
Organization dues	13,320	9,797	958
Rental and maintenance of equipment	28,246	10,300	658
Interest	21,104	18,810	2,040
Miscellaneous	44,491	29,373	2,417
<b>Subtotals</b>	<b>1,269,101</b>	<b>1,106,756</b>	<b>63,598</b>
Depreciation	61,325	55,168	5,476
<b>Total expenses</b>	<b>\$ 5,088,165</b>	<b>\$ 4,379,092</b>	<b>\$ 467,355</b>

(Continued)



Program Services

	Infant Adoption	Teen Pregnancy Prevention	Day Treatment	Independent Living	Direct Family Intervention	Specialized Foster Care
\$	3,891	\$ 11,708	\$ 180,122	\$ 23,492	\$ 55,612	\$ 97,968
	554	1,464	38,917	4,115	12,498	8,055
	310	1,001	15,354	2,095	4,742	4,695
	4,755	14,173	234,393	29,702	72,852	110,718
	60	80	20,955	612	581	9,214
	-	334	4,408	159	181	1,004
	-	36	596	171	162	301
	38	20	266	93	89	240
	-	548	7,441	2,581	2,461	4,623
	-	-	-	-	-	-
	113	244	3,695	726	1,068	5,483
	-	619	259	22	21	265
	75	-	1,294	15,597	-	100,431
	10	51	707	370	194	508
	-	95	1,854	129	123	321
	-	107	1,387	505	480	891
	-	208	1,786	598	568	1,063
	296	2,342	44,648	21,563	5,928	124,344
	-	287	3,722	1,356	1,288	2,392
\$	5,051	\$ 16,802	\$ 282,763	\$ 52,621	\$ 80,068	\$ 237,454

**Bethany for Children & Families**

**Statement of Functional Expenses (Continued)  
Year Ended June 30, 2020**

	Program Services		
	Mental and Behavioral Health	Relative Foster Care	Therapeutic Recreation
Salaries	\$ 723,156	\$ 479,106	\$ 98,961
Employee health and retirement benefits	123,415	64,343	11,597
Payroll taxes	62,276	39,053	8,576
<b>Total salaries and related expenses</b>	<b>908,847</b>	<b>582,502</b>	<b>119,134</b>
Professional fees and contract services	110,302	22,811	(19,971)
Supplies	2,451	2,740	6,255
Telephone	4,707	2,367	370
Postage and shipping	165	848	203
Occupancy, building and grounds	40,544	19,049	6,533
Outside printing	-	-	38
Local transportation	11,174	35,151	9,457
Conferences and conventions	1,077	2,710	112
Special assistance to individuals	45	286,431	813
Organization dues	3,056	1,653	596
Rental and maintenance of equipment	1,198	815	281
Interest	5,422	2,812	1,094
Miscellaneous	7,826	8,283	1,321
<b>Subtotals</b>	<b>187,967</b>	<b>385,670</b>	<b>7,102</b>
Depreciation	19,225	7,549	2,938
<b>Total expenses</b>	<b>\$ 1,116,039</b>	<b>\$ 975,721</b>	<b>\$ 129,174</b>

(Continued)

Program Services

CAPP		Give Kids a Smile		Housing Teens Now		PREP		Housing Families Now	
\$	31,375	\$	73,938	\$	33,329	\$	30,043	\$	43,546
	3,545		10,858		5,820		3,610		7,748
	2,418		6,417		2,875		2,557		3,715
	<u>37,338</u>		<u>91,213</u>		<u>42,024</u>		<u>36,210</u>		<u>55,009</u>
	11,030		40,677		158		175		155
	413		(856)		70		575		76
	78		361		44		63		43
	156		218		24		61		23
	1,187		5,488		887		948		785
	-		-		-		-		-
	713		10,233		715		687		942
	657		415		62		143		62
	-		-		31,679		-		50,383
	88		420		85		81		84
	204		3,723		33		126		33
	231		1,071		130		185		128
	311		1,679		155		229		151
	<u>15,068</u>		<u>63,429</u>		<u>34,042</u>		<u>3,273</u>		<u>52,865</u>
	619		2,876		350		497		344
\$	<u>53,025</u>	\$	<u>157,518</u>	\$	<u>76,416</u>	\$	<u>39,980</u>	\$	<u>108,218</u>

**Bethany for Children & Families**

**Statement of Functional Expenses (Continued)  
Year Ended June 30, 2020**

	Program Services		
	Illinois Therapy	Wrap Around Services	Housing Teens in Need
Salaries	\$ 114,321	\$ 200,564	\$ 35,376
Employee health and retirement benefits	16,974	35,261	5,996
Payroll taxes	9,728	17,033	3,017
<b>Total salaries and related expenses</b>	<b>141,023</b>	<b>252,858</b>	<b>44,389</b>
Professional fees and contract services	469	3,636	149
Supplies	72	841	61
Telephone	267	-	42
Postage and shipping	-	965	23
Occupancy, building and grounds	572	9,149	763
Outside printing	-	-	-
Local transportation	348	4,221	572
Conferences and conventions	18	234	62
Special assistance to individuals	-	51,098	13,700
Organization dues	161	693	82
Rental and maintenance of equipment	217	458	32
Interest	420	1,784	123
Miscellaneous	498	2,134	146
<b>Subtotals</b>	<b>3,042</b>	<b>75,213</b>	<b>15,755</b>
Depreciation	1,128	4,790	331
<b>Total expenses</b>	<b>\$ 145,193</b>	<b>\$ 332,861</b>	<b>\$ 60,475</b>

See notes to financial statements.

Program Services		Supporting Services		
Moline Community Development Corp	Total Supporting Services	Development	Management and General	
\$ 35,384	\$ 414,475	\$ 110,681	\$ 303,794	
3,081	81,151	14,648	66,503	
3,282	44,945	9,362	35,583	
<u>41,747</u>	<u>540,571</u>	<u>134,691</u>	<u>405,880</u>	
200	66,629	7,029	59,600	
25	4,406	1,418	2,988	
-	795	265	530	
9	5,941	3,229	2,712	
-	28,007	4,361	23,646	
-	10,111	9,543	568	
377	3,533	2,385	1,148	
-	4,042	3,491	551	
-	-	-	-	
-	3,523	2,706	817	
-	17,946	766	17,180	
-	2,294	777	1,517	
-	15,118	4,741	10,377	
<u>611</u>	<u>162,345</u>	<u>40,711</u>	<u>121,634</u>	
-	6,157	2,085	4,072	
<u>\$ 42,358</u>	<u>\$ 709,073</u>	<u>\$ 177,487</u>	<u>\$ 531,586</u>	

## Bethany for Children & Families

### Statement of Cash Flows Year Ended June 30, 2020

Cash flows from operating activities:	
Change in net assets	\$ 331,927
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	61,325
Net change in realized losses and depreciation in fair value of marketable securities	115,088
Gain on sale of fixed assets	(52,489)
Donated marketable securities	(51,958)
Change in assets and liabilities:	
Increase in accounts and accrued interest receivable	(85,909)
Increase in prepaid expenses	(8,159)
Increase in accounts payable and accrued expenses	87,993
Increase in refundable advances	674,427
<b>Net cash provided by operating activities</b>	<b>1,072,245</b>
Cash flows from investing activities:	
Purchase of marketable securities	(772,354)
Sale and maturity of marketable securities	717,706
Proceeds from sale of land, buildings and equipment	210,255
<b>Net cash provided by investing activities</b>	<b>155,607</b>
Cash flows from financing activities:	
Net payments on short-term notes payable	(458,738)
Payments on long-term debt	(244,723)
Payments on capital leases	(8,955)
<b>Net cash used in financing activities</b>	<b>(712,416)</b>
<b>Net increase in cash and cash equivalents</b>	<b>515,436</b>
Cash and cash equivalents, beginning	1,637
Cash and cash equivalents, ending	\$ 517,073
Supplemental disclosure of cash flow information, cash payments for interest	\$ 18,944

See notes to financial statements.

## Bethany for Children & Families

### Notes to Financial Statements

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

**Nature of operations:** Bethany for Children & Families (the Organization) is a private not-for-profit, nonsectarian, multi-service agency serving children and families since 1899. The Organization is a bi-state agency that is open to all regardless of race, color, national origin, sex or disability, with services offered in Iowa and Illinois. It is governed by a volunteer Board of Directors representing the geographical area served by the Organization. The Organization's 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, Independent 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 (U.S. GAAP) 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 the Organization and changes therein are classified and reported as follows:

*With donor restrictions:* Net assets subject to donor-imposed stipulations that require they be maintained permanently by the Organization or net assets that may or will be met either by actions of the Organization and/or the passage of time. Generally, the donors of assets to be maintained permanently by the Organization permit the use of all or part of the income earned on related investments for general or specific purposes.

*Without donor restrictions:* Net assets that are not subject to donor-imposed stipulations.

**Measure of operations:** The measure of operations includes operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures and transfers from board-designated and other nonoperating funds to support current operating activities. The measure of operations excludes interest and dividends, net appreciation in fair value of marketable securities and contributions with donor restrictions.

**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, the Organization considers all bank accounts to be cash and cash equivalents, except for money market funds held in the investment portfolio which are designated for endowment and, therefore, are excluded from cash and cash equivalents on the cash flow statement.

**Concentrations of credit risk:** As of June 30, 2020, the Company has deposits in financial institutions that exceed depository limits. Management believes there is minimal credit risk related to these deposits.

## Bethany for Children & Families

### Notes to Financial Statements

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

**Accounts receivable:** Accounts receivable are carried at contract amount less an estimate made for doubtful receivables based on a review of outstanding amounts and the circumstances surrounding the program. Management determines the allowance for doubtful accounts by identifying troubled accounts and an aging and understanding of those accounts. The allowance for bad debt was \$8,216 as of June 30, 2020. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Accounts receivable are determined to be past due on a case-by-case basis based on circumstances.

There was no provision for bad debts for the year ended June 30, 2020.

**Long-term investments:** The investments are held in investment accounts consisting of money market funds carried at cost and marketable mutual funds and fixed income securities, which are carried at their fair value based primarily on quoted market prices, provided by a third-party servicer.

**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.

**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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 revenue without restrictions.

Gifts of land, buildings and equipment are reported as support without restrictions 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.

There were no conditional promises to give as of June 30, 2020.

**Children and child care revenue:** The Organization's children and child care revenue is determined by funding from various agencies for each program a child participates in and is recognized as the service is performed.

**Investment income:** Income (losses) and net gains (losses) on investments are reported as follows:

- As increases (decreases) in net assets with donor restrictions if the terms of the gift or the Board's interpretation of relevant state law require that they be added to the principal of a donor-restricted endowment fund;
- As increases (decreases) in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income and if the gift is part of the endowment fund, until appropriated by the Board of Directors or, in the case of losses, until the accumulated income and gains are reduced to zero; and
- As increases (decreases) in net assets without donor restrictions in all other cases.



## Bethany for Children & Families

### Notes to Financial Statements

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

**Refundable advances:** The Organization elected to account for the Payroll Protection Program (PPP) funds received under Accounting Standards Codification (ASC) 958-605, Not-for-Profit Entities-Revenue Recognition, which states contributions become unconditional and are recognized to the extent that qualifying expenses are incurred. Funds received in excess of qualifying expenses that have been incurred as of June 30, 2020 are treated as a conditional contribution accounted for as a refundable advance. The refundable advance is pursuant to the PPP created by Section 1102 of the Coronavirus Aid, Relief and Economic Security (CARES) Act. By participating in the PPP, the Organization agrees that the advance shall be interpreted and construed to be consistent with the PPP requirements. The refundable advance is payable to Quad City Bank and Trust Company due in monthly payments commencing October 2021 and bears interest of 1% through April 18, 2022. Refundable advances as of June 30, 2020, are approximately \$674,000.

**Income taxes:** The Organization is recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization may be subject to federal and state income taxes on any net income from unrelated business activities. The Organization files a Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business taxable income (UBIT) is reported on Form 990-T, as appropriate. Management has evaluated their material tax positions, which include such matters as the tax exempt status and various positions relative to potential sources of UBIT. As of June 30, 2020, there were no uncertain tax benefits identified and recorded as a liability. Forms 990 and 990-T filed by the Organization are generally subject to examination by the Internal Revenue Service for up to three years from the extended due date of each return.

**Subsequent events:** The Organization has evaluated subsequent events through February 24, 2021, which is the date through which the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require disclosure in the financial statements.

**Pending accounting guidance:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP, including industry-specific guidance, when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2020. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of this pending adoption of the new standard on its financial statements.

## Bethany for Children & Families

### Notes to Financial Statements

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#### Note 2. Marketable Securities

Marketable securities as of June 30, 2020 consist of the following:

Money market fund	\$ 30,298
Mutual funds	1,497,397
Fixed income securities	687,492
	<u>\$ 2,215,187</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.

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 and corporate 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.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended June 30, 2020.

## Bethany for Children & Families

### Notes to Financial Statements

#### Note 2. Marketable Securities (Continued)

**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, 2020, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements 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	\$ 303,144	\$ 303,144	\$ -	\$ -
Large-cap equities	785,359	785,359	-	-
International:				
Small/mid-cap equities	53,220	53,220	-	-
Large-cap equities	355,674	355,674	-	-
Fixed Income:				
Corporate bonds	134,157	134,157	-	-
Intermediate-term bond fund	252,803	252,803	-	-
International bond	234,076	234,076	-	-
Municipal bond	66,456	66,456	-	-
	<u>\$ 2,184,889</u>	<u>\$ 2,184,889</u>	<u>\$ -</u>	<u>\$ -</u>

The investments above do not include money market funds of \$30,298, which are carried at cost.

There were no transfers between Levels 1 and 2 of the fair value hierarchy during the year ended June 30, 2020.

#### Note 3. Financial Assets Available and Liquidity

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization's main source of liquidity at its disposal consists of marketable securities as well as approximately \$1,000,000 available under a revolving line of credit as described in Note 4.

For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations.

## Bethany for Children & Families

### Notes to Financial Statements

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#### Note 3. Financial Assets Available and Liquidity (Continued)

The Organization's governing board has designated a portion of its resources to function as long-term investment and for other purposes, which are not considered available. Those amounts are identified as board-designated in the table below. These resources are invested for long-term appreciation and current income and may be spent at the discretion and approval of the Board of Directors.

Financial assets at year-end:	
Cash and cash equivalents	\$ 517,073
Accounts receivable, net	818,729
Accrued interest receivable	192
Marketable securities	<u>2,215,187</u>
Total financial assets as of June 30	3,551,181
Less amounts not available to meet cash needs for general expenditures within one year:	
Contractual or restrictions:	
United Way allocation	80,199
Endowment earnings and appreciation	15,608
Restricted in perpetuity	201,958
Board designated net assets for long-term investment	1,997,813
Net investment in plant	<u>784,193</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 471,410</u>

#### Note 4. Notes Payable and Pledged Assets

The Organization has a revolving credit agreement for \$1,000,000 with a bank, principal due March 23, 2021, with interest at prime rate less 1.15% with a minimum of 4.25% (prime was 4.25% as of June 30, 2020) due monthly. Amount borrowed under this agreement is collateralized by marketable securities designated for long-term investment. Borrowings were \$0 as of June 30, 2020.

The agreement contains certain covenants to provide periodic financial information and a limitation on notes outstanding to investments without donor restriction. The Organization was in violation of a nonfinancial covenant for the year ended June 30, 2020, for which the Organization obtained a written waiver.

A summary of the Organization's long-term debt and collateral pledged thereon consisted of the following as of June 30, 2020:

Note payable to Illinois Facilities Fund, due January 1, 2022, interest at 3.29% (A)	\$ 193,045
Less current maturities	<u>26,579</u>
	<u>\$ 166,466</u>

(A) The Organization has a note payable with the Illinois Facilities Fund for \$218,884. The note bears interest at 3.29%. The note requires monthly principal and interest payments of approximately \$1,400 with final maturity on January 1, 2022. 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 was in violation of a nonfinancial covenant for the year ended June 30, 2020, for which the Organization obtained a written waiver.

## Bethany for Children & Families

### Notes to Financial Statements

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#### Note 4. Notes Payable and Pledged Assets (Continued)

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

Years ending June 30:	
2021	\$ 26,579
2022	166,466
	<u>\$ 193,045</u>

#### Note 5. Capital Lease Obligations

The Organization's capital lease obligations consisted of the following as of June 30, 2020:

Capital lease obligation with monthly payment of \$940 through February 2024, collateralized by equipment with a net book value of \$30,093	\$ 29,361
Less current maturities	8,955
	<u>\$ 20,406</u>

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

Years ending June 30:	
2021	\$ 11,280
2022	11,280
2023	11,280
2024	6,580
Total minimum lease payments	<u>40,420</u>
Less amounts representing interest	11,059
Present value of future minimum lease payments	<u>\$ 29,361</u>

#### Note 6. Employee Benefit Plans

The Organization administers an annuity plan under Section 403(b) of the Internal Revenue Code for all eligible employees as defined by the plan. The Organization's contribution to the plan for the year ended June 30, 2020 was \$172,885.

#### Note 7. Contractual Arrangements with Third-Party Agencies

Approximately 90% of the Organization's support and revenue is earned under various term agreements with numerous third-party payors for the year ended June 30, 2020. These agreements provide for payments to the Organization at established rates for specific program use.

## Bethany for Children & Families

### Notes to Financial Statements

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#### Note 8. Endowment Fund

The Organization's Endowment Fund consists of a donor restricted endowment fund and funds designated for quasi-endowment by the Board of Directors. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the 2008 Iowa legislature 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 net assets restricted in perpetuity (a) the original value of gifts donated to the endowment restricted in perpetuity, (b) the original value of subsequent gifts to the endowment restricted in perpetuity and (c) accumulations to the endowment restricted in perpetuity 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 net assets restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the State of Iowa in its enacted version of 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 Endowment 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 and (7) the investment policies of the Organization.

The Organization has investment and spending policies for its Endowment Fund. The objective of these policies is to provide the Organization a predictable funding stream for its programs while protecting the purchasing power of the Endowment Fund. The Organization, through its investment policy, has established a target rate of return over the long-term. To satisfy its long-term rate-of-return objective, the Organization expects to maintain appropriate diversification among equity, fixed income and other investment allocations. 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.

Endowment net assets as of June 30, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund, general operations support	\$ -	\$ 217,566	\$ 217,566
Board-designated (quasi) endowment fund	1,997,813	-	1,997,813
Total endowment funds	<u>\$ 1,997,813</u>	<u>\$ 217,566</u>	<u>\$ 2,215,379</u>

## Bethany for Children & Families

### Notes to Financial Statements

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#### Note 8. Endowment Fund (Continued)

The changes in endowment net assets for the year ended June 30, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,055,321	\$ 168,540	\$ 2,223,861
Investment return:			
Interest and dividends	57,821	5,400	63,221
Net appreciation, realized and unrealized	(107,899)	(7,189)	(115,088)
Total investment return	(50,078)	(1,789)	(51,867)
Contributions	-	51,958	51,958
Fees	(7,430)	(1,143)	(8,573)
Endowment net assets, end of year	\$ 1,997,813	\$ 217,566	\$ 2,215,379

#### Note 9. Contingencies

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries and their political subdivision. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. The extent to which COVID-19 may affect the Organization’s results will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.



**Independent Auditor's Report  
on the Supplementary Information**

RSM US LLP

Board of Directors  
Bethany for Children & Families

We have audited the financial statements of Bethany for Children & Families (the Organization) as of and for the year ended June 30, 2020, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*RSM US LLP*

Davenport, Iowa  
February 24, 2021



**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, 2020**

	Agency Total	All Other Not Allocated	FC Downstate	Spec FC	Ind. Living	Intact Families
Support and revenue:						
Fees and purchase of services:						
Illinois Department of Children and Family Services	\$ 3,039,440	\$ 794,312	\$ 1,215,527	\$ 301,390	\$ 49,093	\$ 679,118
Local education agency	236,127	236,127	-	-	-	-
Local government	158,106	158,106	-	-	-	-
Federal government	221,199	221,199	-	-	-	-
Special service fees for individual clients	97,722	97,722	-	-	-	-
Other (medical and dental insurance companies)	1,130,287	1,130,287	-	-	-	-
<b>Total fees and purchase of services</b>	<b>4,882,881</b>	<b>2,637,753</b>	<b>1,215,527</b>	<b>301,390</b>	<b>49,093</b>	<b>679,118</b>
Grant revenue:						
Donated and Certified Funds Initiative	142,877	142,877	-	-	-	-
Other (United Way; grants; private foundation)	186,763	185,263	1,500	-	-	-
<b>Total grant revenue</b>	<b>329,640</b>	<b>328,140</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>-</b>
Contributions and other:						
Restricted to operations	149,636	142,136	7,500	-	-	-
Unrestricted	109,802	109,802	-	-	-	-
Realized losses on marketable securities	(38,822)	(38,822)	-	-	-	-
<b>Total contributions and other</b>	<b>220,616</b>	<b>213,116</b>	<b>7,500</b>	<b>-</b>	<b>-</b>	<b>-</b>
Investment income and other, loss on unrestricted assets/investments						
	(13,045)	(13,045)	-	-	-	-
<b>Total support and revenue, excluding net assets released from restrictions</b>	<b>\$ 5,420,092</b>	<b>\$ 3,165,964</b>	<b>\$ 1,224,527</b>	<b>\$ 301,390</b>	<b>\$ 49,093</b>	<b>\$ 679,118</b>

(Continued)

**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, 2020**

	Agency Total	All Other Not Allocated	FC Downstate	Spec FC	Ind. Living	Intact Families
Expenses:						
Program expenses:						
Program staff salaries	\$ 2,348,717	\$ 1,522,885	\$ 433,077	\$ 91,270	\$ 19,868	\$ 281,617
Clerical staff salaries	242,516	195,138	26,584	6,466	1,438	12,890
Payroll taxes and fringe benefits	654,048	459,440	103,512	14,322	5,795	70,979
Medicine and drugs	1,035	-	1,035	-	-	-
All other direct service equipment and supplies	29,388	22,870	3,313	1,009	280	1,916
Client transportation	107,248	47,856	35,403	5,544	739	17,706
Direct service staff conferences and convention	8,372	4,276	2,831	294	28	943
Program insurance	14,711	10,306	2,025	626	337	1,417
Direct client specific assistance	207,448	153,433	19,233	1,243	15,597	17,942
Telecommunication costs assigned to program	11,747	7,992	2,483	329	177	766
Foster care payments	366,367	75	267,256	99,036	-	-
<b>Total program expenses</b>	<b>3,991,597</b>	<b>2,424,271</b>	<b>896,752</b>	<b>220,139</b>	<b>44,259</b>	<b>406,176</b>
Support expenses, dietary supplies	14,801	12,153	1,532	691	39	386
Occupancy expenses:						
Building and equipment operations and maintenance	177,993	118,115	28,807	7,119	3,194	20,758
All other depreciation and amortization	61,325	42,962	8,441	2,609	1,404	5,909
Operating interest	23,116	16,276	3,144	972	523	2,201
<b>Total occupancy expenses</b>	<b>262,434</b>	<b>177,353</b>	<b>40,392</b>	<b>10,700</b>	<b>5,121</b>	<b>28,868</b>
Administrative and office expenses:						
Administrative salaries	355,529	195,464	78,605	14,621	5,386	61,453
Payroll taxes and fringe benefits	89,616	45,188	22,248	3,867	1,624	16,689
Administrative consultants	121,730	82,554	25,177	9,765	583	3,651
Office supplies and equipment	41,054	27,316	9,210	1,249	701	2,578
Employment fees, data processing, printing and subscriptions	160,626	146,039	7,810	1,924	579	4,274
<b>Total administrative and office expenses</b>	<b>768,555</b>	<b>496,561</b>	<b>143,050</b>	<b>31,426</b>	<b>8,873</b>	<b>88,645</b>
<b>Total expenses</b>	<b>\$ 5,037,387</b>	<b>\$ 3,110,338</b>	<b>\$ 1,081,726</b>	<b>\$ 262,956</b>	<b>\$ 58,292</b>	<b>\$ 524,075</b>

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

**Bethany For Children & Families**

**Statement of Inflows and Outflows, Program Under Contract with  
Illinois Norman Cash Assistance Contract  
Year Ended June 30, 2020**

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Inflows, Illinois Department of Children and Family Services (DCFS)	\$ 116,200
Outflows, specific assistance to individuals	<u>(88,801)</u>
<b>Excess of inflows over outflows recorded as accounts payable</b>	<b><u><u>\$ 27,399</u></u></b>

**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**

**Independent Auditor's Report**

Board of Directors  
Bethany for Children & Families

We have audited, in accordance with the 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, the financial statements of Bethany for Children & Families, which comprise the statement of financial position and the related statements of activities, functional expenses and cash flows as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bethany for Children & Families' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bethany for Children & Families' internal control. Accordingly, we do not express an opinion on the effectiveness of Bethany for Children & Families' internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

*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 a 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.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bethany for Children & Families' financial statements are free from 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*.

**Bethany for Children & Families' Response to Findings**

Bethany for Children & Families' response to the findings identified in our audit is described in the accompanying schedule of findings. Bethany for Children & Families' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Davenport, Iowa  
February 24, 2021

**Bethany for Children & Families**

**Schedule of Findings and Responses  
Year Ended June 30, 2020**

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**I. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted *Government Auditing Standards***

(A) Significant Deficiency in Internal Control Over Financial Reporting

**2020-001**

Finding: Several adjusting journal entries were identified through the audit process that were subsequently made to properly include these amounts in the Organization's financial statements.

Conditions: Recorded audit adjustments relating to accrued expenses, accounts payable, capital leases, accounts receivable, depreciation and net assets.

Criteria: A system of controls over financial reporting should address all major account balances to ensure all required adjustments are made to balances each reporting period and duties surrounding those controls should be appropriately segregated.

Context: Audit adjustments were required to ensure the financial statements conform with accounting policies generally accepted in the United States of America.

Cause: The Organization did not have procedures in place to ensure accurate and timely reconciliations of accounts.

Effect: Not timely reconciling accounts could result in material misstatements of the financial statements.

Recommendation: The Organization should implement procedures and policies to ensure reconciliations are performed in a timely manner.

Response and corrective action plan: Bethany will put policies and procedures in place to ensure that accounts are properly reconciled. The Chief Executive Officer and Chief Financial Officer are responsible for this corrective action plan and anticipate that it will be completed by June 30, 2021.

(B) Compliance Finding

No matters were reported.

**II. Schedule of Prior Year Audit Findings**

**Internal Control Finding**

**2019-001**

Finding: Several adjusting journal entries were identified through the audit process that were subsequently made to properly include these amounts in the Organization's financial statements.

Corrective Action Taken: Not corrected, see finding 2020-001.