Bethany for Children & Families

Financial and Compliance Report
June 30, 2017

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Independent Auditor's Report

To the 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 of as of June 30, 2017, 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, 2017, 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 November 20, 2017 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
November 20, 2017

Bethany for Children & Families

Statement of Financial Position
June 30, 2017

	Total	Operating
Assets		
Current assets:		
Cash and cash equivalents	$ 9,924	$ 3,739
Accrued interest receivable	192	-
Accounts receivable:		
Public agencies	980,636	980,636
United Way allocation for fiscal 2018	103,503	103,503
Prepaid expenses	13,941	13,941
Total current assets	1,108,196	1,101,819
Noncurrent asset, marketable securities	2,519,889	-
Land, buildings and equipment:		
Land and land improvements	175,000	-
Buildings and building improvements	1,799,223	-
Furniture and equipment, including assets acquired under capital lease of $41,821	507,642	-
Automobiles	398,335	-
	2,880,200	-
Less accumulated depreciation, including amounts applicable to assets acquired under capital leases of $27,881	1,608,977	-
Total land, buildings and equipment	1,271,223	-
	$ 4,899,308	$ 1,101,819
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	$ 48,168	$ -
Current portion of capital leases	9,644	-
Accounts payable and accrued expenses	317,985	317,985
Notes payable, bank	1,189,514	1,189,514
Total current liabilities	1,565,311	1,507,499
Long-term debt, net of current portion	488,133	-
Capital lease obligations, net of current portion	7,106	-
Total liabilities	2,060,550	1,507,499
Net assets:		
Unrestricted:		
Designated for long-term investment	2,324,429	-
Net investment in plant	718,172	-
Available for operations (deficit)	(524,183)	(524,183)
Total unrestricted net assets	2,518,418	(524,183)
Temporarily restricted:		
United Way allocation for fiscal 2018	103,503	103,503
Regional development authority	15,000	15,000
Endowment earnings and appreciation	45,652	-
Family Loan Pool	6,185	-
Total temporarily restricted net assets	170,340	118,503
Permanently restricted	150,000	-
Total net assets	2,838,758	(405,680)
	$ 4,899,308	$ 1,101,819

See notes to financial statements.

Long-Term Investment	Plant	Family Loan Pool
$ -	$ -	$ 6,185
192	-	-
-	-	-
-	-	-
-	-	-
192	-	6,185
2,519,889	-	-
-	175,000	-
-	1,799,223	-
-	507,642	-
-	398,335	-
-	2,880,200	-
-	1,608,977	-
-	1,271,223	-
$ 2,520,081	$ 1,271,223	$ 6,185
$ -	$ 48,168	$ -
-	9,644	-
-	-	-
-	-	-
-	57,812	-
-	488,133	-
-	7,106	-
-	553,051	-
2,324,429	-	-
-	718,172	-
-	-	-
2,324,429	718,172	-
-	-	-
-	-	-
45,652	-	-
-	-	6,185
45,652	-	6,185
150,000	-	-
2,520,081	718,172	6,185
$ 2,520,081	$ 1,271,223	$ 6,185

Bethany for Children & Families

Statement of Activities
Year Ended June 30, 2017

	Total	Operating
Changes in unrestricted net assets:		
Public support and revenue:		
Public support:		
Contributions	$ 405,023	$ 405,023
Memorials and honorariums	2,895	2,895
Total public support	407,918	407,918
Revenue:		
Children and child care:		
Federal, state and county	4,239,540	4,239,540
Adoptive parents	46,244	46,244
Local education agency	33,632	33,632
Interest and dividends	52,984	-
Net appreciation in fair value of marketable securities	281,632	-
Other	10,654	10,654
Net assets released from restriction	43,795	42,894
Total revenue	4,708,481	4,372,964
Total unrestricted support and revenue	5,116,399	4,780,882
Expenses:		
Program services:		
Intact Family Services	342,053	334,696
Bethany Adoption	51,856	49,986
Parents Too Soon	47,997	47,071
Day Treatment	327,805	321,137
Supportive Living	158,853	156,517
Direct Family Intervention	85,670	83,946
Specialized Foster Care	258,557	255,779
Iowa Therapy & BHIS	1,425,029	1,400,342
Relative Foster Care	627,955	620,724
Therapeutic Recreation	94,932	93,247
Know What to Say	50,616	49,724
Give Kids a Smile	336,457	301,370
CareLink	36,101	36,101
Homeless Illinois	131,068	129,218
Prep Iowa DHS	34,691	34,124
Families Homeless Illinois	132,310	130,530
Rapid Rehousing	85,343	85,343
Illinois Therapy	8,510	8,510
Wrap Around Services	8,196	8,196
Prevention - Other	16	16
Total program services	4,244,015	4,146,577
Supporting services:		
Development	235,865	230,979
Management and general	424,228	409,811
Total supporting services	660,093	640,790
Total unrestricted expense	4,904,108	4,787,367
Increase (decrease) in unrestricted net assets	$ 212,291	$ (6,485)

(Continued)

Long-Term Investment	Plant	Family Loan Pool
$ -	$ -	$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
52,984	-	-
281,632	-	-
-	-	-
901	-	-
335,517	-	-
335,517	-	-
1,178	6,179	-
656	1,214	-
149	777	-
1,070	5,598	-
374	1,962	-
276	1,448	-
446	2,332	-
4,013	20,674	-
1,159	6,072	-
270	1,415	-
144	748	-
666	34,421	-
-	-	-
296	1,554	-
91	476	-
284	1,496	-
-	-	-
-	-	-
-	-	-
-	-	-
11,072	86,366	-
1,097	3,789	-
7,422	6,995	-
8,519	10,784	-
19,591	97,150	-
$ 315,926	$ (97,150)	$ -

Bethany for Children & Families

Statement of Activities (Continued)
Year Ended June 30, 2017

	Total	Operating
Changes in temporarily restricted net assets:		
United Way allocation for fiscal 2018	$ 103,503	$ 103,503
Regional development authority	15,000	15,000
Interest and dividends	3,935	-
Net appreciation in fair value of marketable securities	22,461	-
Net assets released from restriction	(43,795)	(42,894)
Increase in temporarily restricted net assets	101,104	75,609
Transfers and other, plant and investment additions	-	271,819
Increase (decrease) in net assets	313,395	340,943
Net assets, beginning:		
Unrestricted	2,306,127	(789,517)
Temporarily restricted	69,236	42,894
Permanently restricted	150,000	-
Total net assets, beginning	2,525,363	(746,623)
Net assets, ending:		
Unrestricted	2,518,418	(524,183)
Temporarily restricted	170,340	118,503
Permanently restricted	150,000	-
Total net assets, ending	$ 2,838,758	$ (405,680)

See notes to financial statements.

Long-Term Investment	Plant	Family Loan Pool
$ -	$ -	$ -
-	-	-
3,931	-	4
22,461	-	-
(901)	-	-
25,491	-	4
(354,391)	82,572	-
(12,974)	(14,578)	4
2,362,894	732,750	-
20,161	-	6,181
150,000	-	-
2,533,055	732,750	6,181
2,324,429	718,172	-
45,652	-	6,185
150,000	-	-
$ 2,520,081	$ 718,172	$ 6,185

Bethany for Children & Families

Statement of Functional Expenses
Year Ended June 30, 2017

	Total Functional Expenses	Program Services: Total Program Services	Program Services: Intact Family Services
Salaries	$ 2,571,923	$ 2,217,255	$ 219,656
Employee health and retirement benefits	581,059	500,930	49,626
Payroll taxes	236,861	204,199	20,230
Total salaries and related expenses	3,389,843	2,922,384	289,512
Professional fees and contract services	259,874	199,796	1,815
Supplies	52,913	36,756	1,047
Telephone	37,105	34,306	2,901
Postage and shipping	10,037	6,130	893
Occupancy, building and grounds	136,312	114,984	16,025
Outside printing	14,652	341	-
Local transportation	102,002	98,985	12,409
Conferences and conventions	13,786	12,433	1,000
Special assistance to individuals	625,749	620,207	14
Organization dues	9,398	116	-
Rental and maintenance of equipment	19,951	18,854	1,151
Interest	70,798	59,665	6,537
Miscellaneous	64,538	32,692	2,570
Subtotals	1,417,115	1,235,265	46,362
Depreciation	97,150	86,366	6,179
Total expenses	$ 4,904,108	$ 4,244,015	$ 342,053

(Continued)

Program Services					
Bethany Adoption	Parents Too Soon	Day Treatment	Supportive Living	Direct Family Intervention	Specialized Foster Care
$ 29,063	$ 31,635	$ 219,496	$ 69,185	$ 57,868	$ 85,491
6,566	7,147	49,590	15,631	13,074	19,314
2,677	2,914	20,214	6,371	5,329	7,874
38,306	41,696	289,300	91,187	76,271	112,679
6,029	151	352	986	617	7,278
193	878	5,742	220	253	1,839
497	193	1,996	943	762	657
53	133	187	292	209	478
1,769	1,458	4,937	3,642	2,688	4,440
59	-	96	-	-	10
688	1,202	6,717	2,064	1,029	9,814
53	314	450	41	48	288
720	-	1,173	54,388	-	114,373
-	-	16	-	-	4
71	6	1,048	279	222	445
1,276	800	6,298	2,038	1,525	2,488
928	389	3,895	811	598	1,432
12,336	5,524	32,907	65,704	7,951	143,546
1,214	777	5,598	1,962	1,448	2,332
$ 51,856	$ 47,997	$ 327,805	$ 158,853	$ 85,670	$ 258,557

Bethany for Children & Families

Statement of Functional Expenses (Continued)
Year Ended June 30, 2017

	Program Services		
	Iowa Therapy & BHIS	Relative Foster Care	Therapeutic Recreation
Salaries	$ 912,775	$ 282,625	$ 58,955
Employee health and retirement benefits	206,218	63,852	13,319
Payroll taxes	84,061	26,028	5,430
Total salaries and related expenses	1,203,054	372,505	77,704
Professional fees and contract services	73,864	4,917	290
Supplies	4,314	2,391	3,446
Telephone	15,541	6,754	855
Postage and shipping	1,197	1,228	205
Occupancy, building and grounds	50,518	11,733	3,228
Outside printing	100	12	64
Local transportation	21,586	25,116	4,227
Conferences and conventions	1,646	3,036	159
Special assistance to individuals	-	182,982	942
Organization dues	45	-	25
Rental and maintenance of equipment	1,793	1,575	273
Interest	21,652	6,459	1,506
Miscellaneous	9,045	3,175	593
Subtotals	201,301	249,378	15,813
Depreciation	20,674	6,072	1,415
Total expenses	$ 1,425,029	$ 627,955	$ 94,932

(Continued)

Program Services					
Know What to Say	Give Kids a Smile	CareLink	Homeless Illinois	Prep Iowa DHS	Families Homeless Illinois
$ 30,091	$ 114,451	$ -	$ 36,007	$ 21,347	$ 36,007
6,798	25,857	-	8,134	4,822	8,134
2,771	10,540	-	3,316	1,967	3,316
39,660	150,848	-	47,457	28,136	47,457
2,826	99,213	-	599	107	737
1,691	12,271	-	303	1,962	206
186	1,321	-	790	118	776
217	506	-	224	69	239
1,436	6,549	-	2,881	903	2,777
-	-	-	-	-	-
1,075	8,727	-	2,513	1,052	687
1,335	120	-	1,932	628	1,383
100	-	36,101	69,894	-	74,177
-	-	-	13	-	13
6	11,395	-	404	4	182
773	4,634	-	1,627	488	1,564
563	6,452	-	877	748	616
10,208	151,188	36,101	82,057	6,079	83,357
748	34,421	-	1,554	476	1,496
$ 50,616	$ 336,457	$ 36,101	$ 131,068	$ 34,691	$ 132,310

Bethany for Children & Families

Statement of Functional Expenses (Continued)
Year Ended June 30, 2017

	Program Services			
	Rapid Rehousing	Illinois Therapy	Wrap Around Services	Prevention - Other
Salaries	$ -	$ 6,430	$ 6,173	$ -
Employee health and retirement benefits	-	1,453	1,395	-
Payroll taxes	-	592	569	-
Total salaries and related expenses	-	8,475	8,137	-
Professional fees and contract services	-	15	-	-
Supplies	-	-	-	-
Telephone	-	16	-	-
Postage and shipping	-	-	-	-
Occupancy, building and grounds	-	-	-	-
Outside printing	-	-	-	-
Local transportation	-	4	59	16
Conferences and conventions	-	-	-	-
Special assistance to individuals	85,343	-	-	-
Organization dues	-	-	-	-
Rental and maintenance of equipment	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Subtotals	85,343	35	59	16
Depreciation	-	-	-	-
Total expenses	$ 85,343	$ 8,510	$ 8,196	$ 16

See notes to financial statements.

Supporting Services		
Total Supporting Services	Development	Management and General
$ 354,668	$ 119,594	$ 235,074
80,129	27,020	53,109
32,662	11,014	21,648
467,459	157,628	309,831
60,078	6,955	53,123
16,157	12,799	3,358
2,799	934	1,865
3,907	2,633	1,274
21,328	7,126	14,202
14,311	13,059	1,252
3,017	1,671	1,346
1,353	195	1,158
5,542	5,542	-
9,282	1,079	8,203
1,097	461	636
11,133	3,916	7,217
31,846	18,078	13,768
181,850	74,448	107,402
10,784	3,789	6,995
$ 660,093	$ 235,865	$ 424,228

Bethany for Children & Families

Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from operating activities:		
Change in net assets	$	313,395
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		97,150
Net appreciation in fair value of marketable securities		(304,093)
Donated marketable securities		(1,039)
Change in assets and liabilities:		
Increase in accounts and accrued interest receivable		(391,856)
Decrease in prepaid expenses		4,640
Increase in accounts payable and accrued expenses		30,506
Net cash used in operating activities		(251,297)
Cash flows from investing activities:		
Purchase of marketable securities		(261,923)
Sale and maturity of marketable securities		515,415
Proceeds from sale of asset held for sale		63,500
Purchases of land, buildings and equipment		(26,869)
Net cash provided by investing activities		290,123
Cash flows from financing activities:		
Net proceeds from short-term notes payable		16,881
Payments on long-term debt		(46,934)
Payments on capital leases		(8,769)
Net cash used in financing activities		(38,822)
Net increase in cash and cash equivalents		4
Cash and cash equivalents, beginning		9,920
Cash and cash equivalents, ending	$	9,924
Supplemental disclosure of cash flow information, cash payments for interest	$	70,777

See 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 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 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.

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 money market funds held in the investment portfolio which is designated for endowment and, therefore, are excluded from cash and cash equivalents on the cash flow statement.

Accounts receivable: Accounts receivable are carried at contract amount. 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 charged to expense for the year ended June 30, 2017.

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

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, 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.

There were no conditional promises to give as of June 30, 2017.

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.

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

- As increases (decreases) in permanently restricted net assets 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 permanent endowment fund;

- As increases (decreases) in temporarily restricted net assets 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 unrestricted net assets in all other cases.

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

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, 2017, 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.

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 November 20, 2017, 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, 2018. 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 balance sheet 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 income statement. The new standard is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of this pending adoption of the new standard on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Note 2. Marketable Securities

Marketable securities as of June 30, 2017 consist of the following:

Money market fund	$ 72,092
Mutual funds	1,909,327
Fixed income securities	538,470
	$ 2,519,889

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 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, 2017.

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, 2017, 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	$ 532,939	$ 532,939	$ -	$ -
Large-cap equities	786,684	786,684	-	-
International:				
Small/mid-cap equities	325,211	325,211	-	-
Large-cap equities	264,493	264,493	-	-
Fixed Income:				
Corporate bonds	117,565	109,096	8,469	-
Inflation protected bond fund	52,606	52,606	-	-
Intermediate government bond fund	55,100	55,100	-	-
Intermediate-term bond fund	81,050	81,050	-	-
International bond	186,527	186,527	-	-
Municipal bond	45,622	45,622	-	-
	$ 2,447,797	$ 2,439,328	$ 8,469	$ -

The investments above do not include money market funds of $72,092, 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, 2017.

Note 3. Notes Payable and Pledged Assets

The Organization has a revolving credit agreement for $1,250,000 with a bank, principal due March 31, 2018, with interest at prime rate less 0.5 percent with a minimum of 4.0 percent (prime was 4.25 percent as of June 30, 2017) due monthly. Amount borrowed under this agreement is collateralized by marketable securities designated for long-term investment. Borrowings as of June 30, 2017 are $889,514.

The Organization has short-term note with a bank, principal due March 31, 2018, with interest at prime rate less 0.5 percent with a minimum of 4.0 percent (prime was 4.25 percent as of June 30, 2017) due monthly. Amount borrowed under this agreement is collateralized by marketable securities designated for long-term investment. Borrowings as of June 30, 2017 are $300,000.

Both of these notes payable contain certain covenants to provide periodic financial information and a limitation on notes outstanding to unrestricted investments.

Note 4. Long-Term Debt and Pledged Assets

A summary of the Organization's long-term debt and collateral pledged thereon consisted of the following as of June 30, 2017:

Note payable to Illinois Facilities Fund, due January 1, 2022, interest at 3.29%. (A)	$	268,150
Note payable to Illinois Facilities Fund, due January 1, 2022, interest at 3.29%. (A)		268,151
Long-term debt		536,301
Less current maturities		48,168
	$	488,133

(A) The Organization has two notes payable with the Illinois Facilities Fund for $536,301 total. Each note bears interest at 3.29 percent. Each note requires monthly principal and interest payments of approximately $2,700 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.

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

Year ending June 30:		
2018	$	48,168
2019		49,777
2020		51,439
2021		53,157
2022		333,760
	$	536,301

Note 5. Capital Lease Obligations

The Organization's capital lease obligations consisted of the following as of June 30, 2017:

Capital lease obligation with monthly charge of $946 through March 2019, collateralized by equipment with a net book value of $13,940	$	16,750
Less current maturities		9,644
	$	7,106

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

Year ending June 30:		
2018	$	11,352
2019		8,514
Total minimum lease payments		19,866
Less amounts representing interest		3,116
Present value of future minimum lease payments	$	16,750

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, 2017 was $185,239.

Note 7. Contractual Arrangements with Third-Party Agencies

Approximately 86 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, 2017. These agreements provide for payments to the Organization at established rates for specific program use.

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by 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. The Board approved appropriation of $300,000 from the endowment for the fiscal year ended June 30, 2017.

Note 8. Endowment Fund (Continued)

Endowment net assets as of June 30, 2017 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund, general operations support	$ -	$ 45,652	$ 150,000	$ 195,652
Board-designated (quasi) endowment fund	2,324,429	-	-	2,324,429
Total endowment funds	$ 2,324,429	$ 45,652	$ 150,000	$ 2,520,081

The changes in endowment net assets for the year ended June 30, 2017 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,362,894	$ 20,161	$ 150,000	$ 2,533,055
Investment return:				
Interest and dividends	52,984	3,931	-	56,915
Net appreciation, realized and unrealized	281,632	22,461	-	304,093
Total investment return	334,616	26,392	-	361,008
Transfers-out, net	(61,342)	-	-	(61,342)
Appropriation of endowment funds for expenditure	(300,000)	-	-	(300,000)
Fees	(11,739)	(901)	-	(12,640)
Endowment net assets, end of year	$ 2,324,429	$ 45,652	$ 150,000	$ 2,520,081

Independent Auditor's Report
on the Supplementary Information

To the 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, 2017, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were 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
November 20, 2017

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, 2017

	Agency Total	All Other Not Allocated
Support and revenue:		
Fees and purchase of services:		
Illinois Department of Children and Family Services	$ 1,778,461	$ 262,345
Department of Human Services	115,681	115,681
Department of Public Health	50,000	50,000
Local education agency	33,632	33,632
Local government	118,809	118,809
Federal government	322,702	322,702
Other government agencies	1,853,890	1,853,890
Special service fees for individual clients	46,244	46,244
Total fees and purchase of services	4,319,419	2,803,303
Contributions and other:		
Restricted to operations	135,949	135,949
Unrestricted	401,117	399,414
Gain on sale of assets	138,846	138,846
Total contributions and other	675,912	674,209
Investment income and other, gain (loss) on unrestricted assets/investments	22,172	22,172
Total support and revenue, excluding net assets released from restrictions	$ 5,017,503	$ 3,499,684
Expenses:		
Program expenses:		
Program staff salaries	$ 2,236,988	$ 1,622,890
Clerical staff salaries	55,713	12,854
Payroll taxes and fringe benefits	729,119	520,195
Medicine and drugs	1,059	-
All other direct service equipment and supplies	45,173	37,711
Client transportation	102,000	52,181
Direct service staff conferences and convention	13,785	9,063
Program insurance	14,762	10,592
Direct client specific assistance	367,063	271,434
Telecommunication costs assigned to program	37,104	25,272
Foster care payments	255,542	720
Total program expenses	$ 3,858,308	$ 2,562,912

(Continued)

FC Downstate	Spec FC	Ind. Living	Intact Families
$ 704,384	$ 276,700	$ 160,798	$ 374,234
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
704,384	276,700	160,798	374,234
-	-	-	-
1,703	-	-	-
-	-	-	-
1,703	-	-	-
-	-	-	-
$ 706,087	$ 276,700	$ 160,798	$ 374,234
$ 271,241	$ 85,491	$ 54,573	$ 202,793
11,384	-	14,611	16,864
89,880	27,188	22,002	69,854
1,029	30	-	-
3,276	1,565	595	2,026
25,304	9,892	2,112	12,511
3,198	354	82	1,088
1,572	611	492	1,495
13,340	27,887	54,388	14
7,015	764	1,009	3,044
168,556	86,266	-	-
$ 595,795	$ 240,048	$ 149,864	$ 309,689

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, 2017

	Agency Total	All Other Not Allocated
Support expenses, dietary supplies	$ 19,862	$ 17,253
Occupancy expenses:		
Building and equipment operations and maintenance	155,202	111,918
All other depreciation and amortization	97,150	78,439
Equipment under $500	1,059	455
Operating interest	70,796	51,041
Total occupancy expenses	324,207	241,853
Administrative and office expenses:		
Administrative salaries	279,220	206,417
Payroll taxes and fringe benefits	88,797	65,645
Administrative consultants	146,382	127,115
Office supplies and equipment	59,187	48,562
Employment fees, data processing, printing and subscriptions	128,145	115,555
Total administrative and office expenses	701,731	563,294
Total expenses	$ 4,904,108	$ 3,385,312

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

FC Downstate	Spec FC	Ind. Living	Intact Families
$ 1,050	$ 1,210	$ 81	$ 268
14,928	5,737	4,316	18,303
7,052	2,736	2,210	6,713
461	5	132	6
7,470	2,904	2,293	7,088
29,911	11,382	8,951	32,110
32,951	13,567	8,336	17,949
10,479	4,315	2,650	5,708
7,378	8,047	1,089	2,753
4,682	2,093	1,098	2,752
5,172	2,379	1,825	3,214
60,662	30,401	14,998	32,376
$ 687,418	$ 283,041	$ 173,894	$ 374,443

Bethany For Children & Families

Statement of Inflows and Outflows, Program Under Contract with
Illinois Norman Cash Assistance Contract
Year Ended June 30, 2017

Inflows, Illinois Department of Children and Family Services (DCFS)	$ 75,050
Outflows, specific assistance to individuals	(38,475)
Excess of inflows over outflows recorded as accounts payable	$ 36,575

RSM

RSM US LLP

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

To the 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2017.

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.

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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
November 20, 2017

RSM