



Financial Report  
June 30, 2022

## Contents

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Independent auditor's report	1-2
<hr/>	
Financial statements	
Statement of financial position	3
Statement of activities	4-5
Statement of functional expenses	6-8
Statement of cash flows	9
Notes to financial statements	10-17

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Bethany for Children & Families

### Opinion

We have audited the financial statements of Bethany for Children & Families (the Organization), which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*RSM US LLP*

Davenport, Iowa  
December 28, 2022

## Bethany for Children & Families

### Statement of Financial Position June 30, 2022

	Total	Operating	Long-Term Investment	Plant
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 243,809	\$ 243,809	\$ -	\$ -
Accrued interest receivable	4,128	-	4,128	-
Accounts receivable:				
Public agencies, net	983,694	983,694	-	-
United Way allocation for fiscal 2023	60,000	60,000	-	-
Prepaid expenses	62,721	62,721	-	-
<b>Total current assets</b>	<b>1,354,352</b>	<b>1,350,224</b>	<b>4,128</b>	<b>-</b>
Marketable securities	2,967,058	-	2,967,058	-
Land, buildings and equipment:				
Land and land improvements	175,000	-	-	175,000
Buildings and building improvements	1,648,835	-	-	1,648,835
Furniture and equipment, including assets acquired under capital lease of \$41,990	234,397	-	-	234,397
Automobiles	409,132	-	-	409,132
	2,467,364	-	-	2,467,364
Less accumulated depreciation, including amounts applicable to assets acquired under capital leases of \$28,963	1,285,369	-	-	1,285,369
<b>Total land, buildings and equipment</b>	<b>1,181,995</b>	<b>-</b>	<b>-</b>	<b>1,181,995</b>
	<b>\$ 5,503,405</b>	<b>\$ 1,350,224</b>	<b>\$ 2,971,186</b>	<b>\$ 1,181,995</b>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Current portion of capital leases	\$ 8,955	\$ -	\$ -	\$ 8,955
Accounts payable and accrued expenses	563,165	563,165	-	-
Unearned grant revenue	553,731	553,731	-	-
<b>Total current liabilities</b>	<b>1,125,851</b>	<b>1,116,896</b>	<b>-</b>	<b>8,955</b>
Capital lease obligations, net of current portion	2,496	-	-	2,496
<b>Total liabilities</b>	<b>1,128,347</b>	<b>1,116,896</b>	<b>-</b>	<b>11,451</b>
Net assets:				
Without donor restrictions:				
Board-designated for long-term investment (Note 8)	2,729,190	-	2,729,190	-
Net investment in plant	1,170,544	-	-	1,170,544
Undesignated	173,328	173,328	-	-
	4,073,062	173,328	2,729,190	1,170,544
With donor restrictions:				
Restricted by time or purpose:				
United Way allocation for fiscal 2023	60,000	60,000	-	-
Endowment earnings and appreciation	40,038	-	40,038	-
Restricted in perpetuity (Note 8)	201,958	-	201,958	-
	301,996	60,000	241,996	-
<b>Total net assets</b>	<b>4,375,058</b>	<b>233,328</b>	<b>2,971,186</b>	<b>1,170,544</b>
	<b>\$ 5,503,405</b>	<b>\$ 1,350,224</b>	<b>\$ 2,971,186</b>	<b>\$ 1,181,995</b>

See notes to financial statements.

## Bethany for Children & Families

### Statement of Activities Year Ended June 30, 2022

	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	\$ 364,922	\$ 364,922	\$ -	\$ -
Memorials and honorariums	5,470	5,470	-	-
<b>Total public support</b>	<b>370,392</b>	<b>370,392</b>	<b>-</b>	<b>-</b>
Revenue from operations:				
Children and child care:				
Federal, state and county	5,924,982	5,924,982	-	-
Adoptive parents	4,500	4,500	-	-
Local education agency	33,295	33,295	-	-
Other	3,981	3,981	-	-
Net assets released from restriction	61,478	60,000	1,478	-
<b>Total revenue from operations</b>	<b>6,028,236</b>	<b>6,026,758</b>	<b>1,478</b>	<b>-</b>
<b>Revenue from public support and operations</b>	<b>6,398,628</b>	<b>6,397,150</b>	<b>1,478</b>	<b>-</b>
Operating expenses:				
Program services:				
Intact Family Services	786,649	776,376	1,986	8,287
Infant Adoption	2,237	2,216	2	19
Teen Pregnancy Prevention	7,515	7,386	30	99
Day Treatment	353,562	349,145	950	3,467
Independent Living	613	613	-	-
Direct Family Intervention	105,081	103,679	343	1,059
Specialized Foster Care	377,325	372,491	970	3,864
Mental and Behavioral Health	889,017	877,323	2,413	9,281
Relative Foster Care	2,054,051	2,027,349	5,691	21,011
Therapeutic Recreation	129,461	127,793	311	1,357
CAPP	72,023	71,016	262	745
Give Kids a Smile	10,303	10,303	-	-
Housing Teens Now	72,244	71,353	153	738
PREP	48,959	48,336	142	481
Housing Families Now	168,870	166,722	404	1,744
Illinois Therapy	150,964	148,928	458	1,578
Wrap Around Services	597,920	585,294	1,706	10,920
Housing Teens in Need	85,831	84,742	190	899
Nurturing Parent	53,218	52,544	104	570
Positive Parent	2,054	2,014	19	21
Maggie's Fund	3,562	3,562	-	-
BHIS	270,821	267,074	850	2,897
Maquoketa Mental Health Services	140,598	139,107	252	1,239
Iowa—Direct Family Intervention	1,634	1,620	-	14
<b>Total program services</b>	<b>6,384,512</b>	<b>6,296,986</b>	<b>17,236</b>	<b>70,290</b>
Supporting services	161,661	159,709	284	1,668
<b>Total operating expenses</b>	<b>6,546,173</b>	<b>6,456,695</b>	<b>17,520</b>	<b>71,958</b>
<b>Change in net assets without donor restrictions from operating activities</b>	<b>\$ (147,545)</b>	<b>\$ (59,545)</b>	<b>\$ (16,042)</b>	<b>\$ (71,958)</b>

(Continued)

**Bethany for Children & Families**

**Statement of Activities (Continued)**  
**Year Ended June 30, 2022**

	Total	Operating	Long-Term Investment	Plant
<b>Nonoperating activities</b>				
Interest and dividends	\$ 67,653	\$ -	\$ 67,653	\$ -
Realized gains on marketable securities	14,499	-	14,499	-
Net depreciation in fair value of marketable securities	(458,657)	-	(458,657)	-
Gain on sale of land, buildings and equipment	2,935	-	-	2,935
<b>Change in net assets without donor restrictions from nonoperating activities</b>	<b>(373,570)</b>	<b>-</b>	<b>(376,505)</b>	<b>2,935</b>
<b>Change in net assets without donor restrictions</b>	<b>(521,115)</b>	<b>(59,545)</b>	<b>(392,547)</b>	<b>(69,023)</b>
Transfers and other, plant and investment additions	-	(244,217)	2,689	241,528
<b>Changes in net assets with donor restrictions:</b>				
United Way allocation for fiscal 2023	60,000	60,000	-	-
Interest and dividends	5,461	-	5,461	-
Net depreciation in fair value of marketable securities	(41,872)	-	(41,872)	-
Net assets released from restriction	(61,478)	(60,000)	(1,478)	-
<b>Change in net assets with donor restrictions</b>	<b>(37,889)</b>	<b>-</b>	<b>(37,889)</b>	<b>-</b>
<b>(Decrease) increase in total net assets</b>	<b>(559,004)</b>	<b>(303,762)</b>	<b>(427,747)</b>	<b>172,505</b>
Net assets at beginning of year	4,934,062	537,090	3,398,933	998,039
Net assets at end of year	<u>\$ 4,375,058</u>	<u>\$ 233,328</u>	<u>\$ 2,971,186</u>	<u>\$ 1,170,544</u>

See notes to financial statements.

**Bethany for Children & Families**

**Statement of Functional Expenses  
Year Ended June 30, 2022**

	Total Functional Expenses	Program Services							
		Total Program Services	Intact Family Services	Infant Adoption	Pregnancy Prevention	Day Treatment	Teen Independent Living	Direct Family Intervention	Specialized Foster Care
Salary and wages	\$ 3,674,910	\$ 3,573,736	\$ 530,966	\$ 1,310	\$ 4,222	\$ 223,184	\$ -	\$ 70,888	\$ 172,660
Fringe benefits	932,591	911,937	131,356	373	1,633	71,459	-	25,107	38,582
<b>Total salaries and related expenses</b>	<b>4,607,501</b>	<b>4,485,673</b>	<b>662,322</b>	<b>1,683</b>	<b>5,855</b>	<b>294,643</b>	<b>-</b>	<b>95,995</b>	<b>211,242</b>
Travel	133,016	132,110	19,127	345	336	3,293	38	227	6,395
Supplies	260,171	245,594	22,091	30	608	10,277	-	1,899	5,857
Professional services	160,341	158,080	20,615	104	189	27,902	-	2,159	18,151
Occupancy, building and grounds	205,622	200,887	27,448	51	291	9,456	-	3,094	7,451
Telecommunications	6,100	5,968	573	2	8	266	-	84	308
Training and education	42,932	42,873	9,281	1	13	165	-	75	167
Room and board	712,951	712,951	-	-	-	-	-	-	119,296
Miscellaneous	417,539	400,376	25,192	21	215	7,560	575	1,548	8,458
<b>Subtotals</b>	<b>1,938,672</b>	<b>1,898,839</b>	<b>124,327</b>	<b>554</b>	<b>1,660</b>	<b>58,919</b>	<b>613</b>	<b>9,086</b>	<b>166,083</b>
<b>Total expenses</b>	<b>\$ 6,546,173</b>	<b>\$ 6,384,512</b>	<b>\$ 786,649</b>	<b>\$ 2,237</b>	<b>\$ 7,515</b>	<b>\$ 353,562</b>	<b>\$ 613</b>	<b>\$ 105,081</b>	<b>\$ 377,325</b>



**Bethany for Children & Families**

**Statement of Functional Expenses (Continued)  
Year Ended June 30, 2022**

	Program Services								
	Mental and Behavioral Health	Relative Foster Care	Therapeutic Recreation	CAPP	Give Kids a Smile	Housing Teens Now	PREP	Housing Families Now	Illinois Therapy
Salary and wages	\$ 599,866	\$ 916,636	\$ 107,094	\$ 41,246	\$ 2,057	\$ 39,851	\$ 32,454	\$ 54,438	\$ 105,124
Fringe benefits	133,480	224,594	18,770	11,649	-	10,682	9,256	14,319	25,680
<b>Total salaries and related expenses</b>	<b>733,346</b>	<b>1,141,230</b>	<b>125,864</b>	<b>52,895</b>	<b>2,057</b>	<b>50,533</b>	<b>41,710</b>	<b>68,757</b>	<b>130,804</b>
Travel	624	64,432	17,243	984	6,106	237	1,066	851	42
Supplies	86,352	39,566	6,503	2,641	2,117	1,152	1,588	2,621	6,895
Professional services	19,114	52,007	(28,805)	11,524	-	1,461	794	3,229	4,935
Occupancy, building and grounds	32,577	52,540	6,151	2,138	23	1,906	1,502	3,577	6,035
Telecommunication	694	2,562	108	53	-	57	37	133	122
Training and education	1,217	19,243	115	215	-	64	128	108	137
Room and board	-	593,655	-	-	-	-	-	-	-
Miscellaneous	15,093	88,816	2,282	1,573	-	16,834	2,134	89,594	1,994
<b>Subtotals</b>	<b>155,671</b>	<b>912,821</b>	<b>3,597</b>	<b>19,128</b>	<b>8,246</b>	<b>21,711</b>	<b>7,249</b>	<b>100,113</b>	<b>20,160</b>
<b>Total expenses</b>	<b>\$ 889,017</b>	<b>\$ 2,054,051</b>	<b>\$ 129,461</b>	<b>\$ 72,023</b>	<b>\$ 10,303</b>	<b>\$ 72,244</b>	<b>\$ 48,959</b>	<b>\$ 168,870</b>	<b>\$ 150,964</b>

(Continued)

**Bethany for Children & Families**

**Statement of Functional Expenses (Continued)  
Year Ended June 30, 2022**

	Program Services								
	Wrap Around Services	Housing Teens in Need	Nurturing Parent	Positive Parent	Maggie's Fund	BHIS	Maquoketa Mental Health Services	Iowa—Direct Family Intervention	Supporting Services
Salary and wages	\$ 323,257	\$ 43,038	\$ 33,839	\$ 1,268	\$ -	\$ 173,584	\$ 95,877	\$ 877	\$ 101,174
Fringe benefits	99,848	11,421	13,683	564	-	50,575	18,906	-	20,654
<b>Total salaries and related expenses</b>	<b>423,105</b>	<b>54,459</b>	<b>47,522</b>	<b>1,832</b>	<b>-</b>	<b>224,159</b>	<b>114,783</b>	<b>877</b>	<b>121,828</b>
Travel	5,293	394	1,209	4	887	2,974	3	-	906
Supplies	19,068	1,395	854	135	433	23,839	8,974	699	14,577
Professional services	12,622	1,655	1,254	-	-	6,325	2,892	(47)	2,261
Occupancy, building and grounds	22,249	2,176	1,663	43	-	9,301	11,201	14	4,735
Telecommunication	577	68	44	3	-	199	70	-	132
Training and education	10,209	67	37	-	-	371	1,260	-	59
Room and board	-	-	-	-	-	-	-	-	-
Miscellaneous	104,797	25,617	635	37	2,242	3,653	1,415	91	17,163
<b>Subtotals</b>	<b>174,815</b>	<b>31,372</b>	<b>5,696</b>	<b>222</b>	<b>3,562</b>	<b>46,662</b>	<b>25,815</b>	<b>757</b>	<b>39,833</b>
<b>Total expenses</b>	<b>\$ 597,920</b>	<b>\$ 85,831</b>	<b>\$ 53,218</b>	<b>\$ 2,054</b>	<b>\$ 3,562</b>	<b>\$ 270,821</b>	<b>\$ 140,598</b>	<b>\$ 1,634</b>	<b>\$ 161,661</b>

**Bethany for Children & Families**

**Statement of Cash Flows**  
**Year Ended June 30, 2022**

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Cash flows from operating activities:	
Change in net assets	\$ (559,004)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	71,958
Net change in realized gain and depreciation in fair value of marketable securities	486,030
Gain on sale of land, buildings and equipment	(2,935)
Change in assets and liabilities:	
Accounts and accrued interest receivable	(248,043)
Prepaid expenses	11,642
Accounts payable and accrued expenses	(66,232)
Unearned grant revenue	361,263
<b>Net cash provided by operating activities</b>	<u>54,679</u>
Cash flows from investing activities:	
Purchase of marketable securities	(3,545,702)
Sale and maturity of marketable securities	3,490,676
Purchase of land, buildings and equipment	(69,286)
Proceeds on sale of land, buildings and equipment	3,055
<b>Net cash used in investing activities</b>	<u>(121,257)</u>
Cash flows from financing activities:	
Payments on long-term debt	(166,342)
Payments on capital leases	(8,955)
<b>Net cash used in financing activities</b>	<u>(175,297)</u>
<b>Net decrease in cash and cash equivalents</b>	(241,875)
Cash and cash equivalents, beginning	<u>485,684</u>
Cash and cash equivalents, ending	<u>\$ 243,809</u>
Supplemental disclosure of cash flow information, cash payments for interest	<u>\$ 5,101</u>

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, change in net assets without donor restrictions from operating activities, 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, realized gains on 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, 2022, the Organization 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 due from federal, state and county agencies and other granted agencies are carried at the contract rate per the agreement's amount less an estimate made for credit losses based on a review of outstanding amounts and the circumstances surrounding the program. Management determines the allowance for credit losses by identifying troubled accounts and an aging and understanding of those accounts. The allowance for credit losses was \$8,216 as of June 30, 2022. 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.

The provision for bad debts for the year ended June 30, 2022 was \$1,670.

**Marketable securities:** These securities are comprised of 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 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 all conditions are met in the case of conditional contributions.

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, 2022.

**Children and childcare revenue:** The Organization's children and childcare revenue is determined by funding from various agencies for each program a child participates in and is recognized as the service is performed and barriers or conditions of the applicable grant or program are met.

**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;

## Bethany for Children & Families

### Notes to Financial Statements

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

- 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.

**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, 2022, 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 December 28, 2022, which is the date through which the financial statements were available to be issued.

The Organization entered into a building lease agreement on December 27, 2022. The lease will commence January 1, 2023, for a term of 10 years. Monthly payments of \$32,192 will commence May 16, 2023 until January 1, 2028, when the payments will increase to \$34,875 per month until the end of the lease term May 1, 2033. At the end of the lease, the Organization has the option to renew the lease for two additional five year periods. Concurrent with entering into the building lease agreement, the Organization also entered into an Option to Purchase Agreement with the owner of the building. In accordance with terms of the Option to Purchase Agreement, the Organization has the option to purchase the building at any time during the option period which expires on December 27, 2023. The Organization's right to exercise the option is contingent upon the Organization's continued performance of its obligations under the lease agreement.

**Pending accounting guidance:** In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

#### Note 2. Marketable Securities

Marketable securities as of June 30, 2022 consist of the following:

Money market fund	\$ 37,477
Mutual funds	2,195,253
Fixed income securities	734,328
	<u>\$ 2,967,058</u>

## Bethany for Children & Families

### Notes to Financial Statements

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

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 ASC 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, 2022.

## Bethany for Children & Families

### Notes to Financial Statements

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#### 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, 2022, 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	\$ 259,861	\$ 259,861	\$ -	\$ -
Large-cap equities	1,472,937	1,472,937	-	-
International:				
Large-cap equities	462,455	462,455	-	-
Fixed Income:				
Corporate bonds	295,306	295,306	-	-
Intermediate-term bond fund	305,414	305,414	-	-
International bond	133,608	133,608	-	-
	<u>\$ 2,929,581</u>	<u>\$ 2,929,581</u>	<u>\$ -</u>	<u>\$ -</u>

The investments above do not include money market funds of \$37,477 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, 2022.

#### 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 a revolving line of credit with maximum borrowings of up to \$1,000,000 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	\$ 243,809
Accounts receivable, net	1,043,694
Accrued interest receivable	4,128
Marketable securities	<u>2,967,058</u>
Total financial assets as of June 30	4,258,689
Less amounts not available to meet cash needs for general expenditures within one year:	
Contractual or restrictions:	
Endowment earnings and appreciation	40,038
Restricted in perpetuity	201,958
Board designated net assets for long-term investment	<u>2,729,190</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,287,503</u></u>

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

The Organization has a revolving credit agreement for the lesser of \$1,000,000 or 75% of accounts receivable with a bank, principal due March 23, 2023, with interest at prime rate with a minimum of 3.25% (prime was 4.75% as of June 30, 2022) due monthly. Amount borrowed under this agreement is collateralized by accounts receivable. Borrowings were \$0 as of June 30, 2022.

The agreement contains certain covenants to provide periodic financial information and a limitation on notes outstanding compared to investments without donor restriction.

#### Note 5. Capital Lease Obligations

The Organization's capital lease obligations consisted of the following as of June 30, 2022:

Capital lease obligation with monthly payment of \$940 through February 2024, collateralized by equipment with a net book value of \$13,297	\$ 11,451
Less current maturities	8,955
	<u><u>\$ 2,496</u></u>

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

Years ending June 30:	
2023	\$ 11,280
2024	7,520
Total minimum lease payments	<u>18,800</u>
Less amounts representing interest	7,349
Present value of future minimum lease payments	<u><u>\$ 11,451</u></u>

## Bethany for Children & Families

### Notes to Financial Statements

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#### **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, 2022 was \$195,465.

#### **Note 7. Concentration of Revenues**

The Organization receives a significant portion of their revenue from Department of Child and Family Services (DCFS). Total federal, state and county revenue received from DCFS was \$4,146,567 (65% of total support) for the year ended June 30, 2022.

#### **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 2009 Illinois 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.

## Bethany for Children & Families

### Notes to Financial Statements

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

Endowment net assets as of June 30, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund, general operations support	\$ -	\$ 241,996	\$ 241,996
Board-designated (quasi) endowment fund	2,729,190	-	2,729,190
Total endowment funds	<u>\$ 2,729,190</u>	<u>\$ 241,996</u>	<u>\$ 2,971,186</u>

The changes in endowment net assets for the year ended June 30, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,119,048	\$ 279,885	\$ 3,398,933
Investment return:			
Interest and dividends	67,653	5,461	73,114
Net depreciation, realized and unrealized	(444,158)	(41,872)	(486,030)
Total investment return	(376,505)	(36,411)	(412,916)
Contributions	-	-	-
Fees	(13,353)	(1,478)	(14,831)
Endowment net assets, end of year	<u>\$ 2,729,190</u>	<u>\$ 241,996</u>	<u>\$ 2,971,186</u>