

Bethel New Life, Inc. and Affiliates

Consolidating Financial Report
June 30, 2013

Bethel New Life, Inc. and Affiliates

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Independent Auditor's Report

To the Board of Directors
Bethel New Life, Inc. and Affiliates

Report on the Consolidating Financial Statements

We have audited the accompanying consolidating financial statements of Bethel New Life, Inc. and Affiliates (collectively, the "Organization"), which comprise the consolidating statement of financial position as of June 30, 2013 and 2012 and the related consolidating statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

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

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

To the Board of Directors
Bethel New Life, Inc. and Affiliates

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Bethel New Life, Inc. and Affiliates as of June 30, 2013 and 2012 and the changes in their net assets, functional expenses, and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Financial Statements and Restatement

The consolidating financial statements of Bethel New Life, Inc. and Affiliates as of June 30, 2012 were audited by us, and our report dated December 26, 2012 expressed an unqualified opinion on consolidated statements. We did not audit the financial statements of Beth-Anne Residences, Bethel Anathoth Gardens, Bethel Pace Centre, and Beth-Anne Extended Living (collectively, the HUD entities), which statements reflect total assets constituting 70 percent and total revenue constituting 28 percent of the related consolidated 2012 totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for these affiliates, is based solely on the reports of the other auditors.

As part of our audit of the 2013 consolidating financial statements, we also audited the adjustments described in Note 15 that were applied to restate HUD capital advances in the 2012 consolidating financial statements. These had been reported previously as revenues and amortized liabilities for the years ended 2012 and prior. It now has been determined that the original capital advance should have been recorded as a liability in prior years and is not subject to amortization to reflect the obligation due to HUD if the project is not operating in accordance with Section 202 for a period of 40 years. Once the 40 years have passed, the liability will automatically reduce to \$0. In our opinion, such adjustments are appropriate and have been properly applied.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 on our consideration of the Bethel New Life, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bethel New Life, Inc. and Affiliates' internal control over financial reporting and compliance.

Plante & Morse, PLLC

December 9, 2013

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Financial Position June 30, 2013

	Affiliates (HUDs)					Subtotal	Eliminations	Total
	Bethel New Life, Inc.	Beth-Anne Extended Living	Bethel Pace Centre	Bethel Anathoth Gardens	Beth-Anne Residences			
Assets								
Current Assets								
Cash and cash equivalents	\$ 1,568,914	\$ 2,408	\$ 463	\$ 20,054	\$ 45,197	\$ 68,122	\$ -	\$ 1,637,036
Cash - Current restricted	-	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-	-
Accounts receivable - Net of allowance (Note 5)	810,467	2,758	746	43,587	1,965	49,056	-	859,523
Contributions receivable	89,583	-	-	-	-	-	-	89,583
Prepaid expenses and other current assets	213,269	50,070	15,551	45,105	79,993	190,719	(44,488)	359,500
Total current assets	2,682,233	55,236	16,760	108,746	127,155	307,897	(44,488)	2,945,642
Property and Equipment - Net (Note 6)	3,665,525	8,043,192	1,231,502	1,226,782	7,329,101	17,830,577	-	21,496,102
Investments - Board-designated endowment fund (Note 3)	56,129	-	-	-	-	-	-	56,129
Property Held for Development (Note 7)	38,710	-	-	-	-	-	-	38,710
Property Held for Sale (Note 7)	95,000	-	-	-	-	-	-	95,000
Deferred Financing Costs - Net	-	-	-	52,491	-	52,491	-	52,491
Cash - Restricted (Note 4)	56,359	240,173	239,290	442,556	430,929	1,352,948	-	1,409,307
Total assets	<u>\$ 6,593,956</u>	<u>\$ 8,338,601</u>	<u>\$ 1,487,552</u>	<u>\$ 1,830,575</u>	<u>\$ 7,887,185</u>	<u>\$ 19,543,913</u>	<u>\$ (44,488)</u>	<u>\$ 26,093,381</u>
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Accounts payable	\$ 218,991	\$ 25,275	\$ 8,757	\$ 18,794	\$ 123,000	\$ 175,826	\$ (44,488)	\$ 350,329
Accrued expenses (Note 9)	394,001	14,784	18,543	35,146	53,803	122,276	-	516,277
Due to/from affiliates	(203,234)	206,711	(3,477)	-	-	203,234	-	-
Financing payable	278,263	-	-	-	-	-	-	278,263
Refundable program advances	278,097	-	-	-	-	-	-	278,097
Notes payable (Note 10)	427,175	-	-	40,909	-	40,909	-	468,084
Total current liabilities	1,393,293	246,770	23,823	94,849	176,803	542,245	(44,488)	1,891,050
Recoverable Capital Advance (Notes 8 and 15)	-	9,988,700	1,538,300	-	10,371,000	21,898,000	-	21,898,000
Notes Payable - Net of current portion (Note 10)	2,885,484	-	-	2,673,438	-	2,673,438	-	5,558,922
Total liabilities	4,278,777	10,235,470	1,562,123	2,768,287	10,547,803	25,113,683	(44,488)	29,347,972
Net Assets (Deficit)								
Unrestricted:								
Undesignated (Note 15)	1,978,721	(1,896,869)	(74,571)	(937,712)	(2,660,618)	(5,569,770)	-	(3,591,049)
Board-designated endowment fund (Note 13)	56,129	-	-	-	-	-	-	56,129
Temporarily restricted (Note 11)	280,329	-	-	-	-	-	-	280,329
Total net assets (deficit)	2,315,179	(1,896,869)	(74,571)	(937,712)	(2,660,618)	(5,569,770)	-	(3,254,591)
Total liabilities and net assets (deficit)	<u>\$ 6,593,956</u>	<u>\$ 8,338,601</u>	<u>\$ 1,487,552</u>	<u>\$ 1,830,575</u>	<u>\$ 7,887,185</u>	<u>\$ 19,543,913</u>	<u>\$ (44,488)</u>	<u>\$ 26,093,381</u>

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Financial Position (Restated) June 30, 2012

	Affiliates (HUDs)							Eliminations	Total
	Bethel New Life, Inc.	Beth-Anne Extended Living	Bethel Pace Centre	Bethel Anathoth Gardens	Beth-Anne Residences	Subtotal			
Assets									
Current Assets									
Cash and cash equivalents	\$ 1,454,614	\$ 12,230	\$ 21,719	\$ 543	\$ 30,142	\$ 64,634	\$ -	\$ 1,519,248	
Cash - Current restricted	271,564	-	-	-	-	-	-	271,564	
Certificates of deposit	200,000	-	-	-	-	-	-	200,000	
Accounts receivable - Net of allowance (Note 5)	2,189,938	4,991	4,938	9,834	2,051	21,814	-	2,211,752	
Contributions receivable	27,500	-	-	-	-	-	-	27,500	
Prepaid expenses and other current assets	377,128	54,195	4,403	48,430	17,358	124,386	(157,154)	344,360	
Total current assets	4,520,744	71,416	31,060	58,807	49,551	210,834	(157,154)	4,574,424	
Property and Equipment - Net (Note 6)	3,734,661	8,307,732	1,264,686	1,445,099	7,614,920	18,632,437	-	22,367,098	
Investments - Board-designated endowment fund (Note 3)	45,194	-	-	-	-	-	-	45,194	
Property Held for Development (Note 7)	38,710	-	-	-	-	-	-	38,710	
Property Held for Sale (Note 7)	254,477	-	-	-	-	-	-	254,477	
Deferred Financing Costs - Net	-	-	-	56,416	-	56,416	-	56,416	
Cash - Restricted (Note 4)	56,359	177,092	225,169	447,215	331,047	1,180,523	-	1,236,882	
Total assets	<u>\$ 8,650,145</u>	<u>\$ 8,556,240</u>	<u>\$ 1,520,915</u>	<u>\$ 2,007,537</u>	<u>\$ 7,995,518</u>	<u>\$ 20,080,210</u>	<u>\$ (157,154)</u>	<u>\$ 28,573,201</u>	
Liabilities and Net Assets (Deficit)									
Current Liabilities									
Accounts payable	\$ 897,769	\$ 100,976	\$ 29,922	\$ 62,254	\$ 64,683	\$ 257,835	\$ (157,154)	\$ 998,450	
Accrued expenses (Note 9)	903,592	53,898	8,876	29,126	21,957	113,857	-	1,017,449	
Due to/from affiliates	(203,171)	206,711	(3,540)	-	-	203,171	-	-	
Financing payable	338,779	-	-	-	-	-	-	338,779	
Refundable program advances	740,224	-	-	-	-	-	-	740,224	
Notes payable (Note 10)	5,779,307	-	-	38,746	-	38,746	-	5,818,053	
Total current liabilities	8,456,500	361,585	35,258	130,126	86,640	613,609	(157,154)	8,912,955	
Recoverable Capital Advance (Notes 8 and 15)	-	9,988,700	1,538,300	-	10,371,000	21,898,000	-	21,898,000	
Notes Payable - Net of current portion (Note 10)	2,421,253	-	-	2,714,422	-	2,714,422	-	5,135,675	
Total liabilities	10,877,753	10,350,285	1,573,558	2,844,548	10,457,640	25,226,031	(157,154)	35,946,630	
Net Assets (Deficit)									
Unrestricted:									
Undesignated (Note 15)	(2,424,755)	(1,794,045)	(52,643)	(837,011)	(2,462,122)	(5,145,821)	-	(7,570,576)	
Board-designated endowment fund (Note 13)	45,194	-	-	-	-	-	-	45,194	
Temporarily restricted (Note 11)	151,953	-	-	-	-	-	-	151,953	
Total net assets (deficit)	(2,227,608)	(1,794,045)	(52,643)	(837,011)	(2,462,122)	(5,145,821)	-	(7,373,429)	
Total liabilities and net assets (deficit)	<u>\$ 8,650,145</u>	<u>\$ 8,556,240</u>	<u>\$ 1,520,915</u>	<u>\$ 2,007,537</u>	<u>\$ 7,995,518</u>	<u>\$ 20,080,210</u>	<u>\$ (157,154)</u>	<u>\$ 28,573,201</u>	

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Activities and Changes in Net Assets (Deficit) Year Ended June 30, 2013

	Bethel New Life, Inc.			Affiliates (HUDs)				Consolidated			
	Unrestricted	Temporarily Restricted	Total	Beth-Anne Extended Living	Bethel Pace Centre	Bethel Anathoth Gardens	Beth-Anne Residences	Unrestricted Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue											
Support:											
Government fees and contracts	\$ 6,677,851	\$ -	\$ 6,677,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,677,851	\$ -	\$ 6,677,851
Corporate, foundation, and trust contributions	538,705	273,465	812,170	-	-	-	-	-	538,705	273,465	812,170
Individual donations	105,925	-	105,925	-	-	-	-	-	105,925	-	105,925
Church donations	36,789	-	36,789	-	-	-	-	-	36,789	-	36,789
United Way donations	1,033	-	1,033	-	-	-	-	-	1,033	-	1,033
Total support	7,360,303	273,465	7,633,768	-	-	-	-	-	7,360,303	273,465	7,633,768
Revenue:											
Rental income	836,788	-	836,788	1,011,760	354,485	851,917	1,348,125	3,566,287	4,403,075	-	4,403,075
Management and consulting fees	64,969	-	64,969	-	-	-	-	-	64,969	-	64,969
Investment income	22,457	-	22,457	150	38	242	48	478	22,935	-	22,935
Gain on sale of property and equipment	-	-	-	-	-	-	-	-	-	-	-
Cash proceeds on insurance proceeds	-	-	-	-	-	-	-	-	-	-	-
Other	59,519	-	59,519	49,581	935	2,130	12,407	65,053	124,572	-	124,572
Reduction in reserve for uncollectible receivable	74,870	-	74,870	-	-	-	-	-	74,870	-	74,870
Total revenue	1,058,603	-	1,058,603	1,061,491	355,458	854,289	1,360,580	3,631,818	4,690,421	-	4,690,421
Total revenue and support	8,418,906	273,465	8,692,371	1,061,491	355,458	854,289	1,360,580	3,631,818	12,050,724	273,465	12,324,189
Net assets released from restrictions	145,089	(145,089)	-	-	-	-	-	-	145,089	(145,089)	-
Total revenue, support, and net assets released from restrictions	8,563,995	128,376	8,692,371	1,061,491	355,458	854,289	1,360,580	3,631,818	12,195,813	128,376	12,324,189
Expenses											
Program services:											
Education (formerly "Children Youth and Family Services")	475,900	-	475,900	-	-	-	-	-	475,900	-	475,900
Supportive living (formerly "Elder Care")	4,733,507	-	4,733,507	-	-	-	-	-	4,733,507	-	4,733,507
Community economic development (formerly "Family Economic Success")	785,579	-	785,579	-	-	-	-	-	785,579	-	785,579
Community collective impact (formerly "Community Affairs")	166,147	-	166,147	-	-	-	-	-	166,147	-	166,147
Real estate and development	795,015	-	795,015	958,801	316,824	817,820	1,299,527	3,392,972	4,187,987	-	4,187,987
Total program services	6,956,148	-	6,956,148	958,801	316,824	817,820	1,299,527	3,392,972	10,349,120	-	10,349,120
Support services:											
Management and general administration	1,689,273	-	1,689,273	205,514	60,562	137,170	259,549	662,795	2,352,068	-	2,352,068
Fundraising	286,413	-	286,413	-	-	-	-	-	286,413	-	286,413
Total expenses	8,931,834	-	8,931,834	1,164,315	377,386	954,990	1,559,076	4,055,767	12,987,601	-	12,987,601
(Decrease) Increase in Net Assets - Before											
impairment loss and gain from extinguishment of debt	(367,839)	128,376	(239,463)	(102,824)	(21,928)	(100,701)	(198,496)	(423,949)	(791,788)	128,376	(663,412)
Impairment Loss	(159,477)	-	(159,477)	-	-	-	-	-	(159,477)	-	(159,477)
Gain from Extinguishment of Debt	4,941,727	-	4,941,727	-	-	-	-	-	4,941,727	-	4,941,727
Increase (Decrease) in Net Assets	4,414,411	128,376	4,542,787	(102,824)	(21,928)	(100,701)	(198,496)	(423,949)	3,990,462	128,376	4,118,838
Net Assets (Deficit) - Beginning of year, as restated	(2,379,561)	151,953	(2,227,608)	(1,794,045)	(52,643)	(837,011)	(2,462,122)	(5,145,821)	(7,525,382)	151,953	(7,373,429)
Net Assets (Deficit) - End of year	\$ 2,034,850	\$ 280,329	\$ 2,315,179	\$ (1,896,869)	\$ (74,571)	\$ (937,712)	\$ (2,660,618)	\$ (5,569,770)	\$ (3,534,920)	\$ 280,329	\$ (3,254,591)

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Activities and Changes in Net Assets (Deficit) (Restated) Year Ended June 30, 2012

	Bethel New Life, Inc.			Affiliates (HUDs)					Consolidated		
	Unrestricted	Temporarily Restricted	Total	Beth-Anne Extended Living	Bethel Pace Centre	Bethel Anathoth Gardens	Beth-Anne Residences	Unrestricted Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue											
Support:											
Government fees and contracts	\$ 8,275,300	\$ -	\$ 8,275,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,275,300	\$ -	\$ 8,275,300
Corporate, foundation, and trust contributions	629,008	95,795	724,803	-	-	-	-	-	629,008	95,795	724,803
Individual donations	155,298	-	155,298	-	-	-	-	-	155,298	-	155,298
Church donations	36,943	-	36,943	-	-	-	-	-	36,943	-	36,943
United Way donations	1,667	-	1,667	-	-	-	-	-	1,667	-	1,667
Total support	9,098,216	95,795	9,194,011	-	-	-	-	-	9,098,216	95,795	9,194,011
Revenue:											
Rental income	834,139	-	834,139	989,317	362,429	841,283	1,358,943	3,551,972	4,386,111	-	4,386,111
Management and consulting fees	160,596	-	160,596	-	-	-	-	-	160,596	-	160,596
Investment income	2,194	-	2,194	288	27	286	34	635	2,829	-	2,829
Gain on sale of property and equipment	15,004	-	15,004	-	-	-	-	-	15,004	-	15,004
Cash proceeds on insurance proceeds	213,900	-	213,900	-	-	-	-	-	213,900	-	213,900
Other	89,037	-	89,037	480	902	2,000	4,634	8,016	97,053	-	97,053
Total revenue	1,314,870	-	1,314,870	990,085	363,358	843,569	1,363,611	3,560,623	4,875,493	-	4,875,493
Total revenue and support	10,413,086	95,795	10,508,881	990,085	363,358	843,569	1,363,611	3,560,623	13,973,709	95,795	14,069,504
Net assets released from restrictions	115,148	(115,148)	-	-	-	-	-	-	115,148	(115,148)	-
Total revenue, support, and net assets released from restrictions	10,528,234	(19,353)	10,508,881	990,085	363,358	843,569	1,363,611	3,560,623	14,088,857	(19,353)	14,069,504
Expense											
Program services:											
Children youth and family services	1,158,603	-	1,158,603	-	-	-	-	-	1,158,603	-	1,158,603
Elder care	5,719,653	-	5,719,653	-	-	-	-	-	5,719,653	-	5,719,653
Family economic success	662,809	-	662,809	-	-	-	-	-	662,809	-	662,809
Community affairs	108,240	-	108,240	-	-	-	-	-	108,240	-	108,240
Real estate and development	832,360	-	832,360	1,103,446	309,833	802,124	1,194,549	3,409,952	4,242,312	-	4,242,312
Total program services	8,481,665	-	8,481,665	1,103,446	309,833	802,124	1,194,549	3,409,952	11,891,617	-	11,891,617
Support services:											
Management and general administration	1,844,894	-	1,844,894	246,563	56,780	125,271	271,125	699,739	2,544,633	-	2,544,633
Fundraising	436,235	-	436,235	-	-	-	-	-	436,235	-	436,235
Total expenses	10,762,794	-	10,762,794	1,350,009	366,613	927,395	1,465,674	4,109,691	14,872,485	-	14,872,485
Decrease in Net Assets - Before gain from extinguishment of debt	(234,560)	(19,353)	(253,913)	(359,924)	(3,255)	(83,826)	(102,063)	(549,068)	(783,628)	(19,353)	(802,981)
Gain from Extinguishment of Debt	199,572	-	199,572	-	-	-	-	-	199,572	-	199,572
Decrease in Net Assets	(34,988)	(19,353)	(54,341)	(359,924)	(3,255)	(83,826)	(102,063)	(549,068)	(584,056)	(19,353)	(603,409)
Net Assets (Deficit) - Beginning of year, as restated	(2,344,573)	171,306	(2,173,267)	(1,434,121)	(49,388)	(753,185)	(2,360,059)	(4,596,753)	(6,941,326)	171,306	(6,770,020)
Net Assets (Deficit) - End of year	<u>\$ (2,379,561)</u>	<u>\$ 151,953</u>	<u>\$ (2,227,608)</u>	<u>\$ (1,794,045)</u>	<u>\$ (52,643)</u>	<u>\$ (837,011)</u>	<u>\$ (2,462,122)</u>	<u>\$ (5,145,821)</u>	<u>\$ (7,525,382)</u>	<u>\$ 151,953</u>	<u>\$ (7,373,429)</u>

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Functional Expenses Year Ended June 30, 2013

	Program Services										Support Services				
	Bethel New Life														
	Education (formerly "Children Youth and Family Services")	Supportive Living (formerly "Elder Care")	Community Economic Development (formerly "Family Economic Success")	Community Collective Impact (formerly "Community Affairs")	Real Estate and Development	Total Bethel New Life	Beth-Anne Extended Living - Real Estate and Development	Bethel Pace Centre - Real Estate and Development	Bethel Anathoth Gardens - Real Estate and Development	Beth-Anne Residences - Real Estate and Development	Total Program	Management and General	Fundraising	Total	2013
Salaries	\$ 285,542	\$ 3,311,317	\$ 465,137	\$ 118,622	\$ 217,334	\$ 4,397,952	\$ 213,750	\$ 74,478	\$ 155,272	\$ 324,242	\$ 5,165,694	\$ 966,850	\$ 186,094	\$ 1,152,944	\$ 6,318,638
Fringe benefits	68,541	758,212	96,549	27,286	41,165	991,753	66,271	14,301	39,559	70,852	1,182,736	176,348	41,191	217,539	1,400,275
Total salaries and related expenses	354,083	4,069,529	561,686	145,908	258,499	5,389,705	280,021	88,779	194,831	395,094	6,348,430	1,143,198	227,285	1,370,483	7,718,913
ETP program match	-	-	162,000	-	-	162,000	-	-	-	-	162,000	-	13,641	13,641	175,641
Professional fees	4,698	51,969	-	489	87,212	144,368	181,514	81,362	138,279	270,749	816,272	265,395	-	265,395	1,081,667
Bad debt expense	-	-	-	-	-	-	14,107	3,805	3,066	5,078	26,056	-	-	-	26,056
Program and other supplies	40,491	258,323	9,837	724	282	309,657	40,222	21,012	33,943	64,833	469,667	13,179	1,285	14,464	484,131
Telephone	5,934	35,440	5,670	4,110	3,577	54,731	-	-	-	207	54,938	12,537	3,079	15,616	70,554
Postage and shipping	319	276	34	68	29	726	-	-	-	-	726	9,051	7,236	16,287	17,013
Occupancy	3,817	63,097	7,007	4,676	121,359	199,956	147,156	31,846	58,775	172,015	609,748	48,444	7,305	55,749	665,497
Outside printing	206	346	461	1	15	1,029	873	-	-	4,460	6,362	3,238	795	4,033	10,395
Transportation	22,161	54,247	7,243	606	84	84,341	-	768	1,152	399	86,660	9,751	396	10,147	96,807
Conferences and conventions	235	700	2,798	1,203	25	4,961	4,157	7,882	9,844	7,084	33,928	6,970	1,026	7,996	41,924
Subscriptions and publications	-	5,185	-	26	24	5,235	-	-	-	-	5,235	1,013	549	1,562	6,797
License, permits, fees, and membership dues	624	13,310	163	13	10,128	24,238	4,715	2,499	4,490	671	36,613	9,656	3,057	12,713	49,326
Repairs and maintenance	17,753	50,993	-	854	55,008	124,608	119,540	44,821	77,454	213,600	580,023	11,819	5,973	17,792	597,815
Insurance	5,353	74,512	16,661	4,210	67,253	167,989	72,172	20,430	51,084	109,111	420,786	42,214	-	42,214	463,000
Interest	-	3,533	-	-	79,661	83,194	-	-	143,446	-	226,640	13,884	2,124	16,008	242,648
Special events	4,449	-	257	319	-	5,025	-	-	-	1,002	6,027	119	6,714	6,833	12,860
Equipment rental	6,505	5,944	3,607	8	12,962	29,026	-	-	-	-	29,026	24,231	1,707	25,938	54,964
Staff development	9,272	2,139	8,145	15	14	19,585	-	-	-	-	19,585	1,672	252	1,924	21,509
Real estate taxes	-	3,457	-	221	59,365	63,043	840	-	15,398	-	79,281	2,783	-	2,783	82,064
Depreciation and amortization	-	37,241	-	1,889	34,975	74,105	298,998	73,950	219,009	314,530	980,592	52,306	2,161	54,467	1,035,059
Miscellaneous	-	3,266	10	807	4,543	8,626	-	232	4,219	243	13,320	17,813	1,828	19,641	32,961
HUDs administrative costs allocation	-	-	-	-	-	-	(205,514)	(60,562)	(137,170)	(259,549)	(662,795)	662,795	-	662,795	-
Total functional expenses	\$ 475,900	\$ 4,733,507	\$ 785,579	\$ 166,147	\$ 795,015	\$ 6,956,148	\$ 958,801	\$ 316,824	\$ 817,820	\$ 1,299,527	10,349,120	\$ 2,352,068	\$ 286,413	\$ 2,638,481	\$ 12,987,601

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Functional Expenses (Restated) Year Ended June 30, 2012

	Program Services										Support Services				
	Bethel New Life										Total Program	Management and General		Total	2012
	Children Youth and Family Services	Elder Care	Family Economic Success	Community Affairs	Real Estate and Development	Total Bethel New Life	Beth-Anne Extended Living - Real Estate and Development	Bethel Pace Centre - Real Estate and Development	Bethel Anathoth Gardens - Real Estate and Development	Beth-Anne Residences - Real Estate and Development		Management and General	Fundraising		
Salaries	\$ 635,401	\$ 4,127,836	\$ 252,328	\$ 80,887	\$ 262,833	\$ 5,359,285	\$ 172,540	\$ 49,448	\$ 89,321	\$ 234,349	\$ 5,904,943	\$ 955,202	\$ 189,139	\$ 1,144,341	\$ 7,049,284
Fringe benefits	130,480	795,086	57,973	8,923	49,323	1,041,785	93,621	8,016	15,181	78,591	1,237,194	137,806	32,689	170,495	1,407,689
Total salaries and related expenses	765,881	4,922,922	310,301	89,810	312,156	6,401,070	266,161	57,464	104,502	312,940	7,142,137	1,093,008	221,828	1,314,836	8,456,973
Smart Savers Program - Participants' match	-	-	296,000	-	-	296,000	-	-	-	-	296,000	-	-	-	296,000
Professional fees	105,480	43,498	13,310	532	58,412	221,232	314,690	72,880	139,956	257,046	1,005,804	240,683	9,299	249,982	1,255,786
Bad debt	-	33,998	-	-	13,236	47,234	60,509	586	8,832	1,777	118,938	43,232	-	43,232	162,170
Program and other supplies	86,804	273,696	1,485	367	2,750	365,102	39,548	32,362	38,132	58,248	533,392	11,854	31,236	43,090	576,482
Telephone	37,711	30,719	5,189	90	9,465	83,174	-	-	-	-	83,174	17,473	290	17,763	100,937
Postage and shipping	2,023	936	26	4	143	3,132	-	-	-	-	3,132	10,693	5,487	16,180	19,312
Occupancy	32,134	74,251	6,921	3,927	94,425	211,658	175,089	29,567	118,572	149,788	684,674	49,889	4,490	54,379	739,053
Outside printing	633	465	316	25	115	1,554	4,194	749	903	52	7,452	2,587	2,251	4,838	12,290
Transportation	17,091	53,136	1,781	1,718	155	73,881	-	-	-	-	73,881	3,822	1,504	5,326	79,207
Conferences and conventions	2,957	639	758	1,111	63	5,528	-	-	-	-	5,528	14,406	921	15,327	20,855
Subscriptions and publications	-	2,400	1,739	-	-	4,139	-	-	-	-	4,139	791	1,009	1,800	5,939
License, permits, fees, and membership dues	478	4,009	1,252	370	15,372	21,481	1,666	-	-	160	23,307	6,286	742	7,028	30,335
Repairs and maintenance	9,804	53,046	3,503	1,386	59,492	127,231	12,690	45,197	9,505	144,742	339,365	21,462	2,152	23,614	362,979
Insurance	20,931	91,837	5,963	286	53,972	172,989	72,076	25,233	71,689	100,813	442,800	74,707	5,750	80,457	523,257
Interest	536	66,104	184	3,685	86,190	156,699	-	-	145,436	-	302,135	122,246	4,280	126,526	428,661
Special events	33,756	(33,901)	250	232	-	337	-	-	-	-	337	12,056	131,080	143,136	143,473
Equipment rental	17,456	16,463	12,992	601	1,276	48,788	-	-	-	-	48,788	27,097	8,749	35,846	84,634
Staff development	18,901	3,881	812	-	-	23,594	-	-	-	-	23,594	134	1,192	1,326	24,920
Real estate taxes	-	-	-	-	39,953	39,953	-	-	13,410	-	53,363	-	-	-	53,363
Elderly and congregate	-	-	-	-	-	-	104,031	30,147	56,398	114,671	305,247	-	-	-	305,247
Depreciation and amortization	-	80,537	-	3,433	59,488	143,458	296,270	69,400	216,123	311,534	1,036,785	78,005	3,926	81,931	1,118,716
Miscellaneous	6,027	1,017	27	663	25,697	33,431	3,085	3,028	3,937	13,903	57,384	14,463	49	14,512	71,896
HUDs administrative costs allocation	-	-	-	-	-	-	(246,563)	(56,780)	(125,271)	(271,125)	(699,739)	699,739	-	699,739	-
Total functional expenses	<u>\$ 1,158,603</u>	<u>\$ 5,719,653</u>	<u>\$ 662,809</u>	<u>\$ 108,240</u>	<u>\$ 832,360</u>	<u>\$ 8,481,665</u>	<u>\$ 1,103,446</u>	<u>\$ 309,833</u>	<u>\$ 802,124</u>	<u>\$ 1,194,549</u>	<u>\$ 11,891,617</u>	<u>\$ 2,544,633</u>	<u>\$ 436,235</u>	<u>\$ 2,980,868</u>	<u>\$ 14,872,485</u>

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Cash Flows

	Year Ended June 30, 2013						Year Ended June 30, 2012 (Restated)							
	Bethel New Life, Inc.	Beth-Anne Extended Living	Bethel Pace Centre	Bethel Anathoth Gardens	Beth-Anne Residences	Eliminations	Total	Bethel New Life, Inc.	Beth-Anne Extended Living	Bethel Pace Centre	Bethel Anathoth Gardens	Beth-Anne Residences	Eliminations	Total
Cash Flows from Operating Activities														
Increase (decrease) in net assets	\$ 4,542,787	\$ (102,824)	\$ (21,928)	\$ (100,701)	\$ (198,496)	\$ -	\$ 4,118,838	\$ (54,341)	\$ (359,924)	\$ (3,255)	\$ (83,826)	\$ (102,063)	\$ -	\$ (603,409)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:														
Depreciation and amortization	128,572	298,998	73,950	219,009	314,530	-	1,035,059	229,314	296,270	69,400	212,198	311,534	-	1,118,716
Provision for losses on receivables	26,056	-	-	-	-	-	26,056	162,170	-	-	-	-	-	162,170
Reduction in reserve for uncollectible receivable	(74,870)	-	-	-	-	-	(74,870)	-	-	-	-	-	-	-
Impairment loss	159,477	-	-	-	-	-	159,477	-	-	-	-	-	-	-
Realized and unrealized gains on investments	(10,935)	-	-	-	-	-	(10,935)	(266)	-	-	-	-	-	(266)
Gain on sale of property and equipment	-	-	-	-	-	-	-	(15,004)	-	-	-	-	-	(15,004)
Gain from extinguishment of debt	(4,941,727)	-	-	-	-	-	(4,941,727)	(199,572)	-	-	-	-	-	(199,572)
Decrease (increase) in:														
Accounts receivable	1,428,285	2,233	3,710	(1,025)	86	-	1,433,289	(666,819)	26,710	(291)	2,798	3,512	-	(634,090)
Contributions receivable	(62,083)	-	-	-	-	-	(62,083)	67,930	-	-	-	-	-	67,930
Prepaid expenses and other current assets	163,859	853	(11,148)	6,473	(58,902)	(112,666)	(11,531)	(296,710)	(53,202)	(3,570)	(8,239)	(16,043)	(223,548)	(601,312)
Accounts payable and accrued expenses	(1,248,948)	(114,815)	(11,435)	(37,440)	90,163	112,666	(1,209,809)	(158,535)	40,933	(10,755)	(76,624)	(72,187)	223,548	(53,620)
Refundable program advances	(462,127)	-	-	-	-	-	(462,127)	(317,882)	-	-	-	-	-	(317,882)
Net cash (used in) provided by operating activities	(351,654)	84,445	33,149	86,316	147,381	-	(363)	(1,249,715)	(49,213)	51,529	46,307	124,753	-	(1,076,339)
Cash Flows from Investing Activities														
Decrease (increase) in restricted cash	271,564	(59,809)	(13,639)	(27,292)	(103,615)	-	67,209	642,735	61,531	(37,105)	(21,023)	(34,034)	-	612,104
Deposits to reserve for replacements and interest retained in account	-	-	-	-	-	-	-	(222)	(89)	-	-	-	-	(311)
Capital expenditures	(59,436)	(34,458)	(40,766)	(692)	(28,711)	-	(164,063)	(45,203)	(4,852)	(35,722)	(67,516)	(87,378)	-	(240,671)
Proceeds from sale of property	-	-	-	-	-	-	-	150,372	-	-	-	-	-	150,372
Redemption of certificates of deposit	200,000	-	-	-	-	-	200,000	-	-	-	-	-	-	-
Net cash provided by (used in) investing activities	412,128	(94,267)	(54,405)	(27,984)	(132,326)	-	103,146	747,682	56,590	(72,827)	(88,539)	(121,412)	-	521,494
Cash Flows from Financing Activities														
Principal payments on notes payable	(696,174)	-	-	(38,821)	-	-	(734,995)	(132,847)	-	-	(36,839)	-	-	(169,686)
Proceeds from new debt agreements	750,000	-	-	-	-	-	750,000	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities	53,826	-	-	(38,821)	-	-	15,005	(132,847)	-	-	(36,839)	-	-	(169,686)
Net Increase (Decrease) in Cash and Cash Equivalents	114,300	(9,822)	(21,256)	19,511	15,055	-	117,788	(634,880)	7,377	(21,298)	(79,071)	3,341	-	(724,531)
Cash and Cash Equivalents - Beginning of year	1,454,614	12,230	21,719	543	30,142	-	1,519,248	2,089,494	4,853	43,017	79,614	26,801	-	2,243,779
Cash and Cash Equivalents - End of year	<u>\$ 1,568,914</u>	<u>\$ 2,408</u>	<u>\$ 463</u>	<u>\$ 20,054</u>	<u>\$ 45,197</u>	<u>\$ -</u>	<u>\$ 1,637,036</u>	<u>\$ 1,454,614</u>	<u>\$ 12,230</u>	<u>\$ 21,719</u>	<u>\$ 543</u>	<u>\$ 30,142</u>	<u>\$ -</u>	<u>\$ 1,519,248</u>
Supplemental Disclosure Cash Flow Information - Cash paid for interest	<u>\$ 83,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,676</u>	<u>\$ 82,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,109</u>

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note I - Nature of Activities and Significant Accounting Policies

Nature of Organization - Bethel New Life, Inc. and Affiliates (the "Organization") is a not-for-profit corporation whose mission is to create a healthier, sustainable community on the west side of Chicago by focusing on creating livable-wage jobs and building affordable housing for families in the community. The Organization rehabilitated a seven-building campus into independent living for the elderly, an adult day care center, a child day care center, an "incubator" for small businesses in the community, and a site for other community-related events.

The consolidating financial statements include Bethel New Life, Inc. (Bethel), a not-for-profit corporation, all of its wholly owned subsidiaries, and all affiliated corporations that have common management and boards of directors. All significant intercompany transactions and balances have been eliminated. Bethel and its wholly owned affiliates include the following entities:

Not-for-profit Entities:

- Beth-Anne Extended Living (Extended Living) - Owns and operates an 85-unit building for very low-income elderly or very low-income persons with disabilities
- Bethel Pace Centre (Pace) - Owns and operates a 22-unit apartment building for very low-income elderly or very low-income persons with disabilities
- Bethel Anathoth Gardens (Anathoth) - Owns and operates a 40-unit apartment building for very low-income elderly or very low-income persons with disabilities
- Beth-Anne Residences (Residences) - Owns and operates a 125-unit apartment building for very low-income elderly or very low-income persons with disabilities

These entities are subsidized by the U.S. Department of Housing and Urban Development (HUD), operate under the provisions of Section 202 of the National Housing Act of 1959, and are collectively referred to as HUDs.

For-profit Entity:

- Bethel NMTC Manager, LLC

Classification of Net Assets - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

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

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Cash and Cash Equivalents - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes they are not exposed to significant credit risk on cash and cash equivalents.

Accounts Receivable - The Organization grants credit to its residents and several other payor sources (i.e., rent receivables). Receivables are valued at management's estimate of the amount that will ultimately be collected. The allowance for uncollectible accounts is based on specific identification of uncollectible accounts and the Organization's historical collection experience.

Investments - Investments are stated at fair value. Realized and unrealized gains and losses are recorded in the consolidating statement of activities and changes in net assets (deficit) based on the specific identification method.

The investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to these risks, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the consolidating statement of financial position.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property, plant, and equipment must be maintained, the Organization reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property and equipment.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

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

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Grant Revenue - Grant revenue received for grants determined to be exchange transactions is recognized as services are provided. Grant money received in excess of that earned is recorded as deferred revenue.

Contract Revenue Recognition - The Organization enters into contracts with certain governmental and private agencies. Revenue under these contracts is recognized when earned. The activities of the Organization relating to certain contracts are subject to review or audit by the responsible governmental agency to determine compliance with award documents and may be subject to possible adjustment based on negotiations with the funding agencies. The Organization has not provided allowances in the consolidating financial statements for potential adjustments since such amounts, if any, are not expected to be significant. To facilitate the operation of some programs, the Organization receives advances of funds. These advances are recorded as liabilities in the accompanying consolidating statement of financial position.

Revenue from program service fees is recognized in the period when services are rendered.

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the Organization are operating leases.

Refundable Program Advance - Refundable program advances include funds received by government and private funding sources to provide stipends and matching funds to eligible participants of its Smart Saver program (see Note 2). Refundable program advances also include amounts received by other funding agencies that have not been utilized. Unspent funds must be returned to the funding agencies at the end of the program award/contract terms.

Recoverable Capital Advances - Recoverable capital advances consist of advances from HUD that were used to construct housing for very low-income elderly and very low-income persons with disabilities.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

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

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidating financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2010.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the consolidating statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Use of 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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Concentration - The Organization received government fees and contract revenue from three State of Illinois governmental agencies that amounted to \$5,999,378 (35 percent of total support and revenue) and \$7,192,673 (49 percent of total support and revenue) for the years ended June 30, 2013 and 2012, respectively.

Subsequent Events - The consolidating financial statements and related disclosures include evaluation of events up through and including December 9, 2013, which is the date the consolidating financial statements were available to be issued.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 2 - Program Services

Education (formerly "Children Youth and Family Services")

Women, Infants, and Children (WIC) - Provides individual and group sessions on healthy eating habits and food preparation in a supplemental food and nutrition program for people who are medically or nutritionally at risk. This program ended in 2012.

Weed & Seed - Organizes a mobilization effort designed to meet the community's social redevelopment needs by helping decrease violent crime and truancy and increasing school performances and the self-esteem of youth mentees and increasing community access to resources and services. This program ended in 2012.

Chicago Family Case Management - As part of the State's managed-care program, focuses on the social service component to assist enrolled families with children and pregnant women in identifying and accessing primary sources of medical care by monitoring services to ensure that routine and preventive health services are obtained on a consistent basis. This program ended in 2012.

Right Start for Family - Provides a coordinated service delivery system to facilitate parenting education and the early identification of developmental delays for at-risk children and their families.

Emergency Fund - Provides compassionate and quick emergency relief to low-income residents of all ages, races, and ethnic origins.

Whole School Network - Building a collective impact sustainable model by partnering with local public schools to help them improve in agreed upon areas.

Brain Train - A skill acquisition program targeting K-third graders who are reading below grade level.

Supportive Living (formerly "Elder Care")

Adult Day Services - Provides an environment that promotes aging, caregiver respite, and an alternative to premature institutionalization. This program ended in July 2013.

Chore Homemaker - Provides in-home services for the elderly via personal care, housekeeping, meal preparation, escort for errands, and supervision to prevent premature institutionalization. This program ended in April 2013.

Beth-Anne Place - Provides personalized assistance with daily living activities for elders through the State Department of Healthcare and Family Services.

Community Economic Development (formerly "Family Economic Success")

Community Asset Building - Provides affordable banking products, financial education programs, homeowner counseling, and foreclosure prevention services.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 2 - Program Services (Continued)

Workforce Development - Assists unemployed persons to obtain gainful, suitable employment by providing training, employment, counseling, and job placement. Opened an advanced manufacturing career program training the west side workforce for careers in manufacturing and advanced manufacturing. Opened a utilities construction trade program.

Business Growth and Development - A cohort of programs focused on developing and strengthening west side businesses, including: Illinois Small Business Development Center, New Markets Tax Credits, Incubation, Entrepreneurship Training Program, and Business Accelerator services.

Real Estate and Development

Real Estate and Commercial Development - Provides affordable housing and plans for the use of community land to facilitate the re-development of Chicago's west side into a healthy and sustainable community.

Lake and Pulaski Commercial Center - Is a commercial building that provides space in certain areas of the buildings to a day care center and other commercial tenants, as well as several programs that provide the services previously mentioned.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in on the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about Bethel's assets measured at fair value on a recurring basis at June 30, 2013 and 2012 and the valuation techniques used by Bethel to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that Bethel has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 3 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Bethel's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2013
Assets - Investments - Mutual funds - U.S. equity	\$ 56,129	\$ -	\$ -	\$ 56,129

Assets Measured at Fair Value on a Recurring Basis at June 30, 2012

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2012
Assets - Investments - Mutual funds - U.S. equity	\$ 45,194	\$ -	\$ -	\$ 45,194

The Organization also has assets that under certain conditions are subject to measurement at fair value on a nonrecurring basis. The Organization has estimated the fair values of these assets based primarily on Level 2 inputs as described above. At June 30, 2013, the Organization recognized noncash impairment charges of \$159,477 to adjust these assets to their estimated fair values. See Note 7 for further information related to property held for sale.

Assets Measured at Fair Value on a Nonrecurring Basis at June 30, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2013	Total Losses for the Period Ended June 30, 2013
Assets - Property held for sale	\$ -	\$ 95,000	\$ -	\$ 95,000	\$ (159,477)

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 4 - Restricted Cash

There was no current restricted cash as of June 30, 2013. The current restricted cash as of June 30, 2012 consisted of cash held in a separate account for use by the Smart Savers - Assets for Independence Program.

Restricted cash - noncurrent as of June 30, 2013 and 2012 consisted of the following:

	Bethel	Extended Living	Pace	Anathoth	Residences	Total
2013						
Tenants' security deposits	\$ -	\$ 21,389	\$ 6,226	\$ 10,415	\$ 34,217	\$ 72,247
Savings accounts	56,359	-	-	-	-	56,359
Construction escrows	-	669	-	-	-	669
Residual receipts reserves	-	-	10,535	-	26,303	36,838
Replacement reserves*	-	218,115	222,529	432,141	370,409	1,243,194
Total	<u>\$ 56,359</u>	<u>\$ 240,173</u>	<u>\$ 239,290</u>	<u>\$ 442,556</u>	<u>\$ 430,929</u>	<u>\$ 1,409,307</u>
2012						
	Bethel New Life	Extended Living	Pace	Anathoth	Residences	Total
Tenants' security deposits	\$ -	\$ 18,117	\$ 5,744	\$ 9,638	\$ 37,950	\$ 71,449
Savings accounts	56,359	-	-	-	-	56,359
Construction escrows	-	89	-	32,527	-	32,616
Residual receipts reserves	-	-	3,085	-	19,222	22,307
Replacement reserves*	-	158,886	216,340	405,050	273,875	1,054,151
Total	<u>\$ 56,359</u>	<u>\$ 177,092</u>	<u>\$ 225,169</u>	<u>\$ 447,215</u>	<u>\$ 331,047</u>	<u>\$ 1,236,882</u>

* Replacement reserves are amounts for the replacement of properties required by HUD to be set aside.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Bethel:		
Government grant and contract receivables:		
U.S. Department of Justice	\$ -	\$ 21,400
State of Illinois:		
Department of Aging	221,520	1,358,450
Health Care and Family Services	352,614	414,526
Department of Human Services	251,285	425,570
Department of Commerce and Economic Opportunity	45,587	-
Department of Corrections	-	10,230
City of Chicago:		
Department of Community Development	11,406	10,358
Chicago Public School	-	95,277
Department of Veterans Affairs	4,489	4,489
New Life Community Investment	7,378	20,934
	<u>894,279</u>	<u>2,361,234</u>
Total government grant and contract receivables	894,279	2,361,234
Grants receivables	-	15,704
Tenant rent receivables	14,434	49,211
Allowance for uncollectible accounts	<u>(98,246)</u>	<u>(236,211)</u>
	810,467	2,189,938
Bethel total	810,467	2,189,938
HUDs - Tenant rent receivables:		
Extended living	2,758	4,991
Pace	746	4,938
Anathoth	43,587	9,834
Residences	1,965	2,051
	<u>49,056</u>	<u>21,814</u>
HUDs total	49,056	21,814
Grand total	<u>\$ 859,523</u>	<u>\$ 2,211,752</u>

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	Bethel	Extended Living	Pace	Anathoth	Residences	Total
2013						
Land	\$ 1,007,600	\$ 100,000	\$ 33,480	\$ 18,750	\$ -	\$ 1,159,830
Buildings and building improvements	4,659,248	10,824,831	2,182,521	3,769,210	11,014,539	32,450,349
Equipment and furniture	969,905	41,223	141,010	182,594	257,186	1,591,918
Vehicles	508,236	-	-	-	-	508,236
Leasehold improvements	347,975	-	-	-	-	347,975
Subtotals	7,492,964	10,966,054	2,357,011	3,970,554	11,271,725	36,058,308
Accumulated depreciation and amortization	(3,827,439)	(2,922,862)	(1,125,509)	(2,743,772)	(3,942,624)	(14,562,206)
Net property and equipment	\$ 3,665,525	\$ 8,043,192	\$ 1,231,502	\$ 1,226,782	\$ 7,329,101	\$ 21,496,102
2012						
Land	\$ 1,007,600	\$ 100,000	\$ 25,000	\$ 18,750	\$ -	\$ 1,151,350
Buildings and building improvements	4,629,066	10,790,373	2,161,317	3,769,210	11,006,739	32,356,705
Equipment and furniture	943,778	41,223	129,928	181,902	236,275	1,533,106
Vehicles	304,898	-	-	-	-	304,898
Leasehold improvements	345,071	-	-	-	-	345,071
Subtotals	7,230,413	10,931,596	2,316,245	3,969,862	11,243,014	35,691,130
Accumulated depreciation and amortization	(3,495,752)	(2,623,864)	(1,051,559)	(2,524,763)	(3,628,094)	(13,324,032)
Net property and equipment	\$ 3,734,661	\$ 8,307,732	\$ 1,264,686	\$ 1,445,099	\$ 7,614,920	\$ 22,367,098

	Depreciable Life - Years
Buildings and building improvements	7-40
Equipment and furniture	3-10
Vehicles	7
Leasehold improvements	10-27.5

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 7 - Property Held for Development and Sale

Bethel owns 17 vacant parcels of land for future development totaling \$38,710. Costs incurred for these properties include planning, land acquisitions, real estate taxes, and construction.

In 2012, a building located at 4320 West Madison Street, Chicago was listed for sale with a net book value of \$254,477. Bethel determined that the land and building had been idle for several years and the cost of renovation and maintenance of the building was too high to keep the property. The criteria of property held for sale under generally accepted accounting principles was met in 2012. Based on the depressed real estate market and an offer from potential purchaser that was significantly less than the cost of the building, Bethel recognized an impairment loss of \$159,477 in 2013.

Note 8 - Recoverable Capital Advances

Pace, Residences, and Extended Living were financed principally by a HUD Capital Advance Program Mortgage Note (the "Notes") under the provisions of Section 202 of the National Housing Act of 1959. The Notes of Pace, Residences, and Extended Living were closed on November 1, 1992, January 1, 1998, and November 20, 2001, respectively, payable to the Secretary of HUD. The Notes bear no interest and repayment is not required as long as the housing remains available for very low-income elderly and very low-income persons with disabilities through September 1, 2033, April 1, 2039, and February 1, 2043, respectively, and in accordance with Section 202 (see Note 15).

The Notes may not be prepaid before the maturity date without prior written approval by HUD. The Notes will be considered to be paid in full and discharged on the maturity dates mentioned above, provided that (1) the housing has remained available for occupancy by eligible persons until the Notes' maturity dates and (2) the Notes have not otherwise become due and payable by reason of default under the Notes, mortgage, regulatory agreements, or regulations.

If the Notes are considered to be in default under the terms of the agreements, the regulatory agreement, or the regulations under the provisions of Section 202 of the National Housing Act of 1959, the entire principal amount shall become due and payable without notice at the option of the note holder. In addition, interest at 7.75 percent (Pace), 6.75 percent (Residences), and 5.75 percent (Extended Living) per year shall be payable on demand with respect to the payment of principal. Interest expense will only be recognized if it becomes payable.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 8 - Recoverable Capital Advances (Continued)

The advances are secured by a first mortgage on the corresponding properties with a total net book value of \$16,603,795 and \$17,187,338 as of June 30, 2013 and 2012, respectively. The recoverable capital advance as of June 30, 2013 and 2012 consisted of the following:

Bethel Pace Centre	\$ 1,538,300
Beth-Anne Residences	10,371,000
Beth-Anne Extended Living	<u>9,988,700</u>
Total	<u>\$ 21,898,000</u>

Note 9 - Accrued Expenses

Accrued expenses as of June 30, 2013 and 2012 consisted of the following:

	Bethel	Extended Living	Pace	Anathoth	Residences	Total
2013						
Compensation	\$ 296,572	\$ 4,282	\$ 1,465	\$ -	\$ 6,678	\$ 308,997
Interest	97,429	-	-	11,875	-	109,304
Other	-	10,502	17,078	23,271	47,125	97,976
Total	<u>\$ 394,001</u>	<u>\$ 14,784</u>	<u>\$ 18,543</u>	<u>\$ 35,146</u>	<u>\$ 53,803</u>	<u>\$ 516,277</u>
2012						
Compensation	\$ 477,007	\$ -	\$ -	\$ -	\$ -	\$ 477,007
Interest	411,585	-	-	12,217	-	423,802
Professional fees	15,000	-	-	-	-	15,000
Other	-	53,898	8,876	16,909	21,957	101,640
Total	<u>\$ 903,592</u>	<u>\$ 53,898</u>	<u>\$ 8,876</u>	<u>\$ 29,126</u>	<u>\$ 21,957</u>	<u>\$ 1,017,449</u>

Note 10 - Notes Payable and Line of Credit

Notes payable as of June 30, 2013 and 2012 consisted of the following:

	2013	2012
Bethel: U.S. Bank - Mortgage note due in monthly installments of \$23,208, including interest at 5 percent, which matured on August 1, 2010 and in technical default - collateralized by first mortgage and rent assignments on 4950 W. Thomas Street. This note was extinguished in December 2012	\$ -	\$ 2,211,688

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 10 - Notes Payable and Line of Credit (Continued)

	<u>2013</u>	<u>2012</u>
Bethel: U.S. Bank - noninterest-bearing note, which matured on August 1, 2009 and in technical default - collateralized by a mortgage and assignment of rents on property of 4950 W. Thomas. This note was extinguished in December 2012	\$ -	\$ 1,195,000
Bethel: Fifth Third Bank - Mortgage note due in monthly installments aggregating \$2,493, including interest at 5 percent, matures July 1, 2013 - collateralized by rental properties at 326 and 328 N. Pulaski	84,909	123,925
Bethel: BMO Harris Bank - First mortgage note due in monthly installments of principal and interest of \$2,132 at 8 percent, maturing August 1, 2016 - collateralized by properties at 4320 W. Madison. This note was forgiven in July 2012	-	97,893
Bethel: City of Chicago - Junior mortgage, in the original amount of \$642,500, noninterest-bearing, due upon the earlier of the sale or refinancing of the Family Wellness Center Project located at 4320 W. Madison. The maturity date is December 6, 2014. This mortgage is collateralized by the building located at 4320 W. Madison	642,500	642,500
Bethel: City of Chicago - Junior mortgage, in the original amount of \$28,000, bears interest 3 percent per annum, due upon the earlier of the sale or refinancing of the Family Wellness Center Project located at 4320 W. Madison. The maturity date is December 6, 2014. This mortgage is collateralized by the building located at 4320 W. Madison	28,000	28,000
Bethel: New Life Community Investments - Construction loans, interest due monthly at 4 percent payable for Lake and Pulaski Commercial Center. The maturity is on December 31, 2014	1,349,885	1,349,885
Bethel: New Life Community Investments - Construction loans, interest due monthly at 4 percent; payable for the Heckman Properties project. The maturity is on December 31, 2014	108,000	108,000
Bethel: Unsecured individual note, noninterest-bearing, due on March 1, 2018	154,000	178,000
Bethel: Unsecured individual notes, interest rates range from 0 percent to 6 percent, due on demand	61,375	89,875

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 10 - Notes Payable and Line of Credit (Continued)

	<u>2013</u>	<u>2012</u>
Bethel: The 786 Foundation - promissory note held with The 786 Foundation, interest due monthly at 5 percent, principal due on demand. On December 9, 2013, Bethel repaid the note and received a full and complete release from The 786 Foundation	\$ 99,977	\$ 99,977
Bethel: Line of credit with U.S. Bank, interest due monthly at the prime rate of 3.25 percent, which matured on August 1, 2011 and in technical default - collateralized by substantially all of Bethel New Life's assets and certain assets of related affiliates. These borrowings were extinguished in December 2012	-	1,970,660
Bethel: Private Bank - Mortgage note due in monthly installments of principal and interest at LIBOR plus 350bp. The maturity is on November 29, 2017. Note is secured by certain real property	712,500	-
Bethel: Line of credit with Private Bank, interest due monthly installments of principal and interest of \$3,107 at 4 percent, maturing on June 1, 2015	71,513	105,157
Anathoth: HUD - Mortgage note due in monthly installments of \$15,203, including interest at 5.25 percent to July 1, 2042 - collateralized by Anathoth Gardens apartment complex and insured by HUD	<u>2,714,347</u>	<u>2,753,168</u>
Total	6,027,006	10,953,728
Less current portion	<u>468,084</u>	<u>5,818,053</u>
Long-term portion	<u>\$ 5,558,922</u>	<u>\$ 5,135,675</u>

The scheduled maturities as of June 30, 2013, are as follow:

<u>Years Ending June 30</u>	<u>Bethel</u>	<u>Anathoth</u>	<u>Total</u>
2014	\$ 427,175	\$ 40,909	\$ 468,084
2015	2,356,116	43,025	2,399,141
2016	194,228	45,339	239,567
2017	192,744	47,778	240,522
2018	108,396	50,445	158,841
Thereafter	<u>34,000</u>	<u>2,486,851</u>	<u>2,520,851</u>
Total	<u>\$ 3,312,659</u>	<u>\$ 2,714,347</u>	<u>\$ 6,027,006</u>

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 10 - Notes Payable and Line of Credit (Continued)

Bethel received a full and complete release on the first mortgage of \$97,893 from BMO Harris Bank.

Bethel received a full and complete release from U.S. Bank for the mortgage notes and lines of credit totaling to \$5,377,348 and accrued interest of \$316,486, in exchange for \$850,000 cash payments.

Total gain from extinguishment of debts above of \$4,941,727 was included in the consolidating statement of activities and changes in net assets (deficit)

Note 11 - Temporarily Restricted Net Assets

Temporarily restricted net assets for Bethel as of June 30, 2013 and 2012 were restricted for use on various program activities.

	2013	2012
Time and purpose restrictions:		
Financial literacy	\$ 3,333	\$ -
NIMS metal working bridge program	56,250	-
Construction jobs educational pilot program	30,000	-
Employment services	-	25,000
Purpose restrictions:		
Children saving's task force	8,000	8,000
Invest in elders program	54,822	43,671
Christmas Store	-	10,000
Employment services	9,399	4,994
ETP program	16,637	-
Financial literacy	12,500	15,000
NIMS metal working bridge program	9,749	30,983
Community economic development	70,877	-
Adult day services	7,877	-
Other programs	-	4,305
CRA event	885	10,000
Total temporarily restricted net assets	<u>\$ 280,329</u>	<u>\$ 151,953</u>

Note 12 - Related Party Transactions

New Life Community Investments LLC (the "Partnership") was formed on December 1, 2004, under the laws of the State of Illinois. The Partnership was formed to obtain qualified equity investments from investors and make qualified investments in qualified active low-income community businesses in accordance with the terms under the New Markets Tax Credit program pursuant to Section 45DF of the IRC. The Partnership shall continue to be in full force until December 31, 2050, unless terminated pursuant to the operating agreement or law.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 12 - Related Party Transactions (Continued)

As of June 30, 2012 and 2013, there were two investor members, the Federal Depository Insurance Corporation (FDIC) and the Private Bank and Trust, with 99.80 percent of ownership of the Partnership, and one managing member, Bethel NMTC Manager, LLC (wholly owned by the Organization), with a 0.02 percent ownership of the Partnership. In accordance with the operating agreement, profits, losses, and cash flows are allocated 100 percent to the investor members and therefore no profits, losses, or cash flows are allocated to Bethel NMTC Manager, LLC. The Partnership has entered into several loan agreements with the Organization (see Note 10) as of June 30, 2013 and 2012.

Note 13 - Donor-restricted and Board-designated Endowments

Bethel's endowment fund consists of one board-designated endowment fund of \$56,129, which was established to support Bethel's mission. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted endowment assets are appropriated for expenditure by the board of directors through the annual budget.

Return Objectives and Risk Parameters

Bethel has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment. Under this policy, as administered by the board of directors, the endowment's assets are invested in mutual funds in a manner intended to preserve the funds and minimize the investment risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In establishing this policy, Bethel considered the long-term expected return on its endowment. The fund's primary investment goals are preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of Bethel's programming in the future. This is consistent with Bethel's objective to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total funds	\$ 56,129	\$ -	\$ -	\$ 56,129

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 13 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 45,194	\$ -	\$ -	\$ 45,194
Investment return	10,935	-	-	10,935
Endowment net assets - End of year	<u>\$ 56,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,129</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total funds	<u>\$ 45,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,194</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 44,928	\$ -	\$ -	\$ 44,928
Investment return	266	-	-	266
Endowment net assets - End of year	<u>\$ 45,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,194</u>

Note 14 - Operating Leases

As of June 30, 2013, Bethel had three operating lease agreements for the use of copier machines and telephones. These leases are set to expire through March 2015. Total rental expense for equipment amounted to approximately \$74,000 in 2013 and 2012.

Minimum lease payments for the year ending June 30 in aggregate and for each of the succeeding years are as follows:

2014	\$ 49,071
2015	<u>18,503</u>
Total	<u>\$ 67,574</u>

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 15 - Prior Period Adjustment

Capital advances in the financial statements of Extended Living, Pace, and Residences had been reported previously as revenues and amortized liabilities for the years ended 2012 and prior. It now has been determined that the original capital advances should have been recorded as liabilities in prior years and are not subject to amortization to reflect the obligations due to HUD if the projects are not operating in accordance with Section 202 for a period of 40 years. Once the 40 years have passed, the liabilities will automatically reduce to \$0.

This accounting change has resulted in substantive changes in the net assets of all of the corporations receiving HUD capital advances. As the value of the HUD asset will continue to be depreciated over the usual 40-year period while the liability will remain constant, all of the affected corporations will show continuously decreasing net assets year over year until the 40-year obligation under Section 202 has been achieved for each of the corporations. As a result, the 2012 amounts have been adjusted from amounts previously reported, as follows:

	2012 as Originally Reported	2012 as Adjusted	Effect of Change
Bethel:			
Mortgage payable - Capital advance	\$ -	\$ -	\$ -
Beginning of year net assets	(2,173,267)	(2,173,267)	-
End of year net assets	(2,227,608)	(2,227,608)	-
Miscellaneous revenue	-	-	-
Change in net assets	(54,341)	(54,341)	-
Extended Living:			
Mortgage payable - Capital advance	7,492,697	9,988,700	2,496,003
Beginning of year net assets	812,164	(1,434,121)	(2,246,285)
End of year net assets	701,958	(1,794,045)	(2,496,003)
Miscellaneous revenue	249,718	-	(249,718)
Change in net assets	(110,206)	(359,924)	(249,718)
Pace:			
Mortgage payable - Capital advance	817,225	1,538,300	721,075
Beginning of year net assets	633,230	(49,388)	(682,618)
End of year net assets	668,432	(52,643)	(721,075)
Miscellaneous revenue	38,457	908	(37,549)
Change in net assets	35,202	-	(35,202)

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2013 and 2012

Note 15 - Prior Period Adjustment (Continued)

	2012 as Originally Reported	2012 as Adjusted	Effect of Change
Anathoth:			
Mortgage payable - Capital advance	\$ -	\$ -	\$ -
Beginning of year net assets	(753,185)	(753,185)	-
End of year net assets	(837,011)	(837,011)	-
Miscellaneous revenue	-	-	-
Change in net assets	(83,826)	(83,826)	-
Residences:			
Mortgage payable - Capital advance	7,022,031	10,371,000	3,348,969
Beginning of year net assets	729,635	(2,360,059)	(3,089,694)
End of year net assets	886,847	(2,462,122)	(3,348,969)
Miscellaneous revenue	259,275	-	(259,275)
Change in net assets	157,212	(102,063)	(259,275)
Total:			
Mortgage payable - Capital advance	15,331,953	21,898,000	6,566,047
Beginning of year net assets	(751,423)	(6,770,020)	(6,018,597)
End of year net assets	(807,382)	(7,373,429)	(6,566,047)
Miscellaneous revenue	547,450	-	(547,450)
Change in net assets	(55,959)	(603,409)	(547,450)