Bethel New Life, Inc. and Affiliates

Consolidated Financial Statements for the Year Ended
June 30, 2012

{ Financial Statements }

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Bethel New Life, Inc. and Affiliates

Year Ended June 30, 2012

Contents

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Independent Auditor's Report

Board of Directors
Bethel New Life, Inc. and Affiliates
Chicago, Illinois

We have audited the accompanying consolidated statement of financial position of **Bethel New Life, Inc. and Affiliates** (collectively, the Organization) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the **Bethel New Life, Inc. and Affiliates'** management. Our responsibility is to express an opinion on these financial statements based on our audit. 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% and total revenue constituting 28% 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.

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

In our opinion, based on our audit and the reports of other auditors, the consolidated 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, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The other auditor's reports on the 2012 financial statements of one of the four HUD entities included an explanatory paragraph describing conditions that raised substantial doubt about its ability to continue as a going concern. This situation does not raise substantial doubt about the Organization's ability to continue as a going concern.

Plante & Moran, PLLC

December 26, 2012

Bethel New Life, Inc. and Affiliates

Year Ended June 30, 2012

Consolidated Financial Statements

Bethel New Life, Inc. and Affiliates

Consolidated Statement of Financial Position
June 30, 2012

Assets	
Current Assets	
Cash	$ 1,519,248
Cash - Current restricted	271,564
Certificates of deposit	200,000
Accounts receivable, net of allowance of $236,211	2,236,752
Contributions receivable	2,500
Prepaid expenses and other current assets	344,360
Total Current Assets	4,574,424
Property and Equipment, Net	22,367,098
Other Assets	
Investments - Board designated endowment fund	45,194
Property held for development	38,710
Property held for sale	254,477
Deferred financing costs, net	56,416
Cash - Restricted	1,236,882
Total Other Assets	1,631,679
Total Assets	**$ 28,573,201**
Liabilities and Net Assets (Deficit)	
Current Liabilities	
Accounts payable	$ 998,450
Accrued expenses	1,017,449
Financing payable	338,779
Refundable program advances	740,224
Notes payable	5,818,053
Total Current Liabilities	8,912,955
Noncurrent Liabilities	
Recoverable capital advance	15,331,953
Notes payable	5,135,675
Total Noncurrent Liabilities	20,467,628
Total Liabilities	29,380,583
Net (Deficit) Assets	
Unrestricted	
Undesignated	(1,004,529)
Board-designated endowment fund	45,194
Temporarily restricted	151,953
Total Net Deficit	(807,382)
Total Liabilities and Net Deficit	**$ 28,573,201**

Consolidated Statement of Activities
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Support			
Government fees and contracts	$ 8,275,300	$ -	$ 8,275,300
Corporate, foundation and trust contributions	629,008	95,795	724,803
Individual donations	155,298	-	155,298
Church donations	36,943	-	36,943
United Way donations	1,667	-	1,667
Total Support	9,098,216	95,795	9,194,011
Revenues			
Rental income	4,386,111	-	4,386,111
Amortization of recoverable capital advances	547,450		547,450
Management and consulting fees	160,596	-	160,596
Investment income	2,829	-	2,829
Gain on sale of property and equipment	15,004	-	15,004
Gain on insurance proceeds	213,900	-	213,900
Gain from extinguishment of debt	199,572	-	199,572
Other	97,053	-	97,053
Total Revenues	5,622,515	-	5,622,515
Net assets released from restrictions	115,148	(115,148)	-
Total Support and Revenue	14,835,879	(19,353)	14,816,526
Expense			
Program Services			
Children Youth and Family Services	1,158,603	-	1,158,603
Elder care	5,719,653	-	5,719,653
Family economic success	662,809	-	662,809
Community affairs	108,240	-	108,240
Real estate and development	4,942,051	-	4,942,051
Total Program Services	12,591,356	-	12,591,356
Supporting Services			
Management and general administration	1,844,894	-	1,844,894
Fundraising	436,235	-	436,235
Total Supporting Services	2,281,129	-	2,281,129
Total Expenses	14,872,485	-	14,872,485
Change in Net Assets	(36,606)	(19,353)	(55,959)
Net (Deficit) Assets, Beginning of Year, as Restated	(922,729)	171,306	(751,423)
Net (Deficit) Assets, End of Year	**$ (959,335)**	**$ 151,953**	**$ (807,382)**

The accompanying notes are an integral part of the consolidated financial statements.

Bethel New Life, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2012

	Children Youth and Family Services	Elder Care	Family Economic Success	Community Affairs	Real Estate and Development	Management and General Administration	Fundraising	Total
Salaries	$ 635,401	$ 4,127,836	$ 252,328	$ 80,887	$ 808,491	$ 955,202	$ 189,139	$ 7,049,284
Fringe benefits	130,480	795,086	57,973	8,923	244,732	137,806	32,689	1,407,689
Smart Savor Program - Participants match	-	-	296,000	-	-	-	-	296,000
Professional fees	105,480	43,498	13,310	532	842,984	240,683	9,299	1,255,786
Bad debt expense	-	33,998	-	-	84,940	43,232	-	162,170
Program and other supplies	86,804	273,696	1,485	367	171,040	11,854	31,236	576,482
Telephone	37,711	30,719	5,189	90	9,465	17,473	290	100,937
Postage and shipping	2,023	936	26	4	143	10,693	5,487	19,312
Occupancy	32,134	74,251	6,921	3,927	567,441	49,889	4,490	739,053
Outside printing	633	465	316	25	6,013	2,587	2,251	12,290
Transportation	17,091	53,136	1,781	1,718	155	3,822	1,504	79,207
Conferences and conventions	2,957	639	758	1,111	63	14,406	921	20,855
Subscriptions and publications	-	2,400	1,739	-	-	791	1,009	5,939
License, permits, fees and membership dues	478	4,009	1,252	370	17,198	6,286	742	30,335
Repairs and maintenance	9,804	53,046	3,503	1,386	271,626	21,462	2,152	362,979
Insurance	20,931	91,837	5,963	286	323,783	74,707	5,750	523,257
Interest	536	66,104	184	3,685	231,626	122,246	4,280	428,661
Special events	33,756	(33,901)	250	232	-	12,056	131,080	143,473
Equipment rental	17,456	16,463	12,992	601	1,276	27,097	8,749	84,634
Staff development	18,901	3,881	812	-	-	134	1,192	24,920
Real estate taxes	-	-	-	-	53,363	-	-	53,363
Elderly and congregate	-	-	-	-	305,247	-	-	305,247
Depreciation and amortization	-	80,537	-	3,433	952,815	78,005	3,926	1,118,716
Miscellaneous	6,027	1,017	27	663	49,650	14,463	49	71,896
Total Expenses	**$ 1,158,603**	**$ 5,719,653**	**$ 662,809**	**$ 108,240**	**$ 4,942,051**	**$ 1,844,894**	**$ 436,235**	**$ 14,872,485**

Bethel New Life, Inc. and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows from Operating Activities	
Change in net assets	$ (55,959)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	1,118,716
Provision for losses on receivables	162,170
Amortization of recoverable capital advances	(547,450)
Realized and change in unrealized gains on investments	(266)
Gain on sale of property and equipment	(15,004)
(Increase) decrease in	
Accounts receivable	(634,090)
Contributions receivable	67,930
Prepaid expenses and other current assets	(154,216)
Decrease in	
Accounts payable and accrued expenses	(700,288)
Refundable program advances	(317,882)
Total Adjustments	(1,020,380)
Net Cash Used in Operating Activities	(1,076,339)
Cash Flows from Investing Activities	
Decrease in restricted cash	612,104
Deposits to reserve for replacements and interest retained in account	(311)
Capital expenditures	(240,671)
Proceeds from sale of property	150,372
Net Cash Provided by Investing Activities	521,494
Net Cash Used in Financing Activities - Principal payments on notes payable	(169,686)
Decrease in Cash	(724,531)
Cash, Beginning of Year	2,243,779
Cash, End of Year	**$ 1,519,248**
Supplemental Disclosure of Cash Flow Information:	
Cash interest paid	**$ 80,512**

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 - Nature of Organization

Bethel New Life, Inc. and Affiliates (collectively, the “Organization”) is a not-for-profit organization, whose mission is to create a healthier, sustainable community on the west side of Chicago by focusing on creating livable-wage jobs, and building and providing 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 consolidated 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 Residences (Residences) - owns and operates a 125-unit apartment building for very low-income elderly persons or very low-income persons with disabilities

- Bethel Pace Centre (Pace) - owns and operates a 22-unit apartment building for very low-income elderly persons or very low-income persons with disabilities.

- Beth-Anne Extended Living (Extended Living) - owns and operates an 85-unit supportive living center.

- Bethel Anathoth Gardens (Anathoth) - owns and operates a 40-unit apartment building for very low-income elderly persons or very low-income persons with disabilities.

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

For-Profit Entity:

- Bethel NMTC Manager, LLC

The following entities were dissolved before the year ended June 30, 2012:

- Beth-Anne Campus Holdings, dissolved on November 2011
- New Life Associates, dissolved on October 2011
- New Life Management, Inc., dissolved on October 2011, and transferred its interest to Bethel NMTC Manager, LLC.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAPUSA). Information regarding the consolidated financial position and activities of the Organization reported in three classes of net assets, as applicable: unrestricted, temporarily restricted and permanently restricted. These classes of net assets are based on the existence or absence of externally (donor) imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Unrestricted net assets are not subject to donor imposed stipulations. They include all activities of the Organization except for amounts that are temporarily or permanently restricted. Board designated amounts are part of unrestricted net assets.

- Temporarily restricted net assets - Temporarily restricted net assets are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Organization (purpose restrictions).

- Permanently restricted net assets - Permanently restricted net assets are subject to the restrictions imposed by donors who require that the principal of these classes of net assets be invested in perpetuity and only the investment income be expended.

Currently, the Organization does not have any permanently restricted net assets.

Cash

Effective December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured by the FDIC. The Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk.

Accounts Receivable

The Organization grants credit to its residents and several other payer 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Unrestricted and Restricted Revenue and Support

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recorded when a commitment is received from the donor. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional pledges expected to be received over more than one year are initially recorded by the Organization as contributions receivable at fair value. They are subsequently valued at the present value of future cash flows. An allowance for uncollectible pledges receivable is provided based upon management's judgment and analysis regarding such factors as the creditworthiness of the donor, prior collection history, type of contribution and nature of fundraising activity. Promises to give noncash assets are recorded at fair value.

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions.

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.

The Organization records noncash donations at fair value at the date of receipt.

Investments

Investments are stated at fair value. Realized and change in unrealized gains and losses are recorded in the statement of activities based on the specific identification method. For purposes of computing realized gains and losses, cost is used.

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 statement of financial position.

Fair Value Measurements

The Organization has adopted new guidance that requires it to report significant transfers between Level 1 and Level 2 fair value measurements and the reasons for those transfers, as well as disclosing the reasons for transfers in or out of Level 3. Additionally, the guidance requires the Organization to clarify existing disclosure requirements about the level of disaggregation, inputs and valuation techniques. The adoption of this guidance did not have an impact on the Organization's financial statements.

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost for assets purchased or constructed and at fair value on the date of receipt for assets received as donations. Significant additions and improvements to existing property and equipment during the year are capitalized, while general maintenance and repairs are charged to expense. The cost and accumulated depreciation of items sold or retired are removed from the property and equipment account and any gain or loss upon disposition is recognized at that time. Depreciation is being provided over the estimated useful lives of the assets using the straight-line method. Amortization of leasehold improvements is being provided over the lesser of the estimated lives of the improvements or the terms of the leases as indicated in the following table.

	Years
Buildings	40
Building improvements and leasehold improvement	10-27.5
Equipment and furniture	3-10
Vehicles	7

Refundable Program Advances

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 (Note 3). 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 the HUD that were used to construct housing for very low-income elderly and very low-income persons with disabilities. The recoverable capital advances are amortized to income using the straight-line method over the term of the advances that approximates the useful lives of the buildings, namely 40 years.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Certain indirect expenditures that benefit more than one program are allocated to the benefited programs based on allocation formulas developed in accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*.

Management Estimates

The preparation of financial statements in conformity with GAAPUSA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues, gains and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The Organization's application of GAAPUSA regarding uncertain tax positions had no effect on its financial position as management believes the Organization has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. The Organization would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. The Organization is no longer subject to examination by federal, state or local tax authorities for periods before 2009.

Note 3 - Program Services

Community 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.

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.

Right Start for Family (formerly Project Triumph) provides a coordinated service delivery system to facilitate parenting education and the early identification of developmental delays for at-risk children and their families.

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.

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

Elder Care

Adult Day Services provides an environment that promotes aging, caregiver respite and an alternative to premature institutionalization.

Chore Homemaker provides in-home services for the elderly via personal care, housekeeping, meal preparation, escort for errands and supervision to prevent premature institutionalization.

The Organization's Elder Care division also provides personalized assistance with daily living activities for elders through the State Department of Healthcare and Family Services.

Note 3 - Program Services (Continued)

Family Economic Success

Community Savings Organization provides affordable banking products, financial education programs, and matched savings accounts for low- to moderate-income individuals and families (Smart Saver Program), which provides stipends and matching funds to eligible participants.

Employment assists unemployed persons to obtain gainful, suitable employment by providing training, employment, counseling and job placement.

Housing Services provides homeowner counseling and repairs and enabling devices in the homes of the elderly and persons with disabilities.

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 4 - Fair Value Measurements

GAAPUSA defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. GAAPUSA describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. GAAPUSA does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based on the nature of the inputs to the valuation technique used:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management’s best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Note 4 - Fair Value Measurements (Continued)

The Organization does not currently utilize any Level 2 and 3 inputs.

Fair values of assets measured on a recurring basis as of June 30, 2012 are as follows:

		Fair Value Measurements as of Reporting Date Using:		
	Fair Value as of June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - U.S. equity	$ 45,194	$ 45,194	$ -	$ -

Level 1 Inputs

Fair values for the organizations' mutual funds are based on quoted market prices in active markets.

Note 5 - Restricted Cash

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, 2012 consisted of the following:

Tenants' security deposits	$ 71,449
Savings accounts	56,359
Construction escrows	32,616
Residual receipts reserves	22,307
Replacement reserves*	1,054,151
	$ 1,236,882

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

Note 6 - Accounts Receivable

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

Government Grant and Contract Receivables	
U.S. Department of Justice	21,400
State of Illinois	
Department of Aging	1,358,450
Health Care and Family Services	414,526
Department of Human Services	425,570
Department of Corrections	10,230
City of Chicago	
Department of Community Development	10,358
Chicago Public School	95,277
Department of Veterans Affairs	4,489
New Life Community Investment	20,934
Total Government Grant and Contract Receivables	2,361,234
Private Grants Receivables	40,704
Tenant Rent Receivables	71,025
	2,472,963
Allowance for Uncollectible Accounts	(236,211)
	$ 2,236,752

Note 7 - Property and Equipment

Property and equipment as of June 30, 2012 consisted of the following:

Land	$ 1,151,350
Buildings and building improvements	32,356,705
Leasehold improvements	345,071
Equipment and furniture	1,533,106
Vehicles	304,898
	35,691,130
Accumulated depreciation and amortization	(13,324,032)
	$ 22,367,098

Note 8 - Property Held for Development and Sale

The Organization owns numerous properties, including land, totaling $38,710, held for future development. 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. The board of directors determined that the land and building has been idle for several years and the cost of renovation and maintenance of the building is too high to keep the property. The criteria of property held for sale under GAAPUSA have been met in 2012.

Note 9 - Recoverable Capital Advances

Pace, Residences and Extended Living were financed principally by a HUD Capital Advance Program Mortgage Note (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, in the amounts of $1,538,300, $10,371,000 and $9,988,700, 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 persons 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.

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 shall become due and payable without notice at the option of the Note holder. In addition, interest at 7.75% (Pace), 6.75% (Residences) and 5.75% (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.

Management believes that there is a remote possibility that the repayment will occur and that the appropriate treatment of the Note is to amortize the recoverable capital advance over the length of the Note. The amortization of the recoverable capital advances is recognized as revenue in the accompanying consolidated statement of activities.

Note 9 - Recoverable Capital Advances (Continued)

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

Bethel Pace Centre	$ 1,538,300
Beth-Anne Residences	10,371,000
Beth-Anne Extended Living	9,988,700
	21,898,000
Accumulated Amortization	(6,566,047)
	$ 15,331,953

Note 10 - Accrued Expenses

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

Compensation	$ 477,007
Interest	411,332
Professional fees	15,000
Other	114,110
	$ 1,017,449

Note 11 - Notes Payable and Line of Credit

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

Mortgages and Notes		
U.S. Bank - Mortgage note due in monthly installments of $23,208, including interest at 5%, matured August 1, 2010, and in technical default - collateralized by first mortgage and rent assignments on 4950 W. Thomas Street. This note was forgiven in December 2012 as part of the subsequent event transaction described in Note 19.	$	2,211,688
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 forgiven in December 2012 as part of the subsequent event transaction described in Note 19.		1,195,000
Fifth Third Bank - Mortgage note due in monthly installments aggregating $2,493, including interest at 5%, matures July 1, 2013 - collateralized by rental properties at 326 and 328 N Pulaski.		123,925
BMO Harris Bank - First mortgage note due in monthly installments of principal and interest of $2,132 at 8%, maturing August 1, 2016 - collateralized by properties at 4320 W. Madison. This note was forgiven in July 2012. See Note 19.		97,893
HUD - Mortgage note due in monthly installments of $15,203, including interest at 5.25% to July 1, 2042 - collateralized by Anathoth Gardens apartment complex and insured by HUD.		2,753,168
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
City of Chicago - Junior mortgage, in the original amount of $28,000, bears interest 3% 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

Note 11 - Notes Payable and Line of Credit (Continued)

New Life Community Investments - Construction loans, interest due monthly at 6% payable for Lake and Pulaski Commercial Center. The maturity is on December 31, 2013. $106,535 of interest expense and penalties were forgiven in 2012. (See Note 13)	$ 1,349,885
New Life Community Investments - Construction loans, interest due monthly at 6%; payable for the Heckman Properties project. The maturity is on December 31, 2013. (See Note 13)	108,000
Unsecured individual note, noninterest-bearing, due on March 1, 2018.	178,000
Unsecured individual notes, interest rates range from 0% to 6%, due on demand.	189,852
Lines of Credit with Banks	
Line of credit with U.S. Bank, interest due monthly at the prime rate of 3.25%, 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 forgiven in December 2012 as part of the subsequent event transaction described in Note 19.	1,970,660
Line of credit with Private Bank, interest due monthly at the prime rate plus 1% (4.00% as of June 30, 2012), maturing on June 1, 2015	105,157
Total debt	10,953,728
Less: current portion	(5,818,053)
Long -Term Debt	**$ 5,135,675**

Note 11 - Notes Payable and Line of Credit (Continued)

The scheduled maturities, not including amounts subsequently forgiven as described in Note 19, as of June 30, 2012, are as follow:

Year Ending June 30:	
2013	$ 432,730
2014	1,706,414
2015	944,952
2016	238,083
2017	240,522
Thereafter	2,665,786
Total	**$ 6,228,487**

Note 12 - Temporarily Restricted Net Assets

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

Note 13 - 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.

As of June 30, 2012, there were two investor members, the Federal Depository Insurance Corporation (FDIC) and the Private Bank and Trust, with 99.80% of ownership of the Partnership, and one managing member, Bethel NMTC Manager, LLC (wholly owned by the Organization), with a 0.02% ownership of the Partnership. In accordance with the operating agreement, profits, losses and cash flows are allocated 100% 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. The Organization has loan balances payable of $1,457,885 to the Partnership as of June 30, 2012. (See Note 11.)

Note 14 - Board Designated Endowment

The Organization's endowment fund consists of one board-designated endowment fund of $45,194, which was established to support the Organization's mission. As required by GAAPUSA, 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.

Note 14 - Board Designated Endowment (Continued)

Return Objectives and Risk Parameters

The Organization 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, the Organization 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 the Organization's programming in the future. This is consistent with the Organization's objective to provide additional real growth through new gifts and investment return.

Change in unrestricted board-designated endowment net assets for fiscal year ended June 30, 2012 was as follows:

Endowment net assets, beginning of year	$ 44,928
Investment income	266
Endowment net assets, end of year	**$ 45,194**

Note 15 - Operating Leases

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

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

Year Ending June 30:	
2013	$ 74,079
2014	49,071
2015	18,503
Total Minimum Payments Required	**$ 141,653**

Note 16 - Concentration

The Organization received government fees and contract revenue from three State of Illinois governmental agencies that amounted to $7,192,673 (49% of total support and revenue) for the year ended June 30, 2012.

Note 17 - Contingencies

The Organization is a named respondent in various legal actions arising in the normal course of its business. In management's opinion, the Organization's liability, if any, under any such pending litigation, would not materially affect the consolidated financial position or changes in net assets of the Organization.

Note 18 - Status of Operations

The Organization continues to experience a decline in its financial condition. However, management has continued its strategic plan that includes restructuring and reducing debt, diversifying revenue streams, implementing cost-cutting initiatives and improving internal financial controls. As a result, the Organization has realized certain improvements stated as follows:

- The Organization has subsequently negotiated a reduction in its long-term debt and the release from the lien of the properties located at 4950 W Thomas Street. (See Note 19.) In addition, the Organization had an increase in net assets of approximately $500,000 from the prior year adjustment due to recording errors. (See Note 20.)
- In addition to its debt restructuring efforts, a cost-reduction program has been in place since 2009 through 2012, which included reductions in labor costs and other operating expenses. The Organization generated additional income from special events and fund-raising efforts. Management continues evaluating cost cutting procedures by eliminating programs with large deficits and reducing administrative costs.

Note 18 - Status of Operations (Continued)

Management believes that all of the mitigating factors described above will contribute toward the Organization meeting its obligations and continuing its operations.

Note 19 - Subsequent Events

The Organization has evaluated subsequent events through December 26, 2012, the date the statements were available to be issued.

On July 6, 2012, the Organization received a full and complete release from the first mortgage of $97,893 from BMO Harris Bank.

In November 2012, the Organization entered into a loan agreement of $750,000 with Private Bank at a stated interest rate of Libor + 350 bps with a maturity date of January 1, 2018.

In December 2012, the Organization received a full and complete release from U.S. Bank on the mortgage notes and lines of credit totaling to $5,377,348, and accrued interest of $178,912, in exchange of $850,000 cash payments. As a result of the subsequent events, the Organization realized measurable improvement in its financial condition with the quick ratio increasing from 0.48 to 1.04 (unaudited).

The pro-forma financial information represented to reflect the subsequent events as shown below:

	2012	Net Debt Reduction Subsequent to Year-End	Pro-Forma
Accrued expenses	$ 1,017,449	$ (178,912)	$ 838,537
Notes payable	10,953,728	(4,725,241)	6,228,487
	$ 11,971,177	**$ (4,904,153)**	**$ 7,067,024**

Note 20 - Prior Year Adjustment

During the year ended June 30, 2012, the Organzation restated its beginning net asset balance to adjust for errors discovered in prepaid expenses, accrued interest expense, deferred revenue and accounts payable and would have increased the change in net assets by $533,879. Accordingly, the net assets of the Organization have been restated as follows:

	Unrestricted	Temporarily Restricted	Total
Net (deficit) assets, June 30, 2011 as originally reported	$ (1,456,608)	$ 171,306	$ (1,285,302)
Increase in prepaid expense and deposits	70,209	-	70,209
Increase in accrued interest expense	(65,476)	-	(65,476)
Decrease in deferred revenue	51,750	-	51,750
Decrease in accounts payable	477,396	-	477,396
Net (deficit) assets, June 30, 2011 as restated	**$ (922,729)**	**$ 171,306**	**$ (751,423)**