

Bethel New Life, Inc. and Affiliates

Consolidating Financial Report
June 30, 2014

Bethel New Life, Inc. and Affiliates

Contents

Report Letter	1-2
Consolidating Financial Statements	
Statement of Financial Position	3-4
Statement of Activities and Changes in Net Assets (Deficit)	5-6
Statement of Functional Expenses	7-8
Statement of Cash Flows	9
Notes to Consolidating Financial Statements	10-27

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, 2014 and 2013 and the related consolidating statements of activities and changes in net assets (deficit), 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, 2014 and 2013 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 on our consideration of 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 & Moran, PLLC

November 14, 2014

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Financial Position June 30, 2014

	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	\$ 1,395,200	\$ 30,775	\$ 17,010	\$ 1,138	\$ 998	\$ 49,921	\$ -	\$ 1,445,121	
Accounts receivable - Net of allowance (Note 5)	369,051	1,572	4,059	53,003	16,008	74,642	-	443,693	
Contributions receivable	564,500	-	-	-	-	-	-	564,500	
Prepaid expenses and other current assets	100,822	56,367	12,161	32,460	56,283	157,271	(7,236)	250,857	
Total current assets	2,429,573	88,714	33,230	86,601	73,289	281,834	(7,236)	2,704,171	
Property and Equipment - Net (Note 7)	3,602,660	7,788,190	1,155,568	1,036,072	7,077,662	17,057,492	-	20,660,152	
Investments - Board-designated endowment fund (Note 3)	69,337	-	-	-	-	-	-	69,337	
Property Held for Development (Note 8)	38,710	-	-	-	-	-	-	38,710	
Property Held for Sale (Note 8)	95,000	-	-	-	-	-	-	95,000	
Deferred Financing Costs - Net	-	-	-	48,566	-	48,566	-	48,566	
Cash - Restricted (Note 4)	-	300,768	271,533	511,405	514,708	1,598,414	-	1,598,414	
Total assets	<u>\$ 6,235,280</u>	<u>\$ 8,177,672</u>	<u>\$ 1,460,331</u>	<u>\$ 1,682,644</u>	<u>\$ 7,665,659</u>	<u>\$ 18,986,306</u>	<u>\$ (7,236)</u>	<u>\$ 25,214,350</u>	
Liabilities and Net Assets (Deficit)									
Current Liabilities									
Accounts payable	\$ 92,881	\$ 16,118	\$ 14,092	\$ 50,788	\$ 52,445	\$ 133,443	\$ (7,236)	\$ 219,088	
Accrued expenses (Note 10)	188,002	36,143	18,473	19,848	54,521	128,985	-	316,987	
Security deposits payable	12,372	16,316	4,383	7,507	31,604	59,810	-	72,182	
Due to/from affiliates	(205,114)	206,711	(1,597)	-	-	205,114	-	-	
Financing payable	173,185	-	-	-	-	-	-	173,185	
Refundable program advances	274,857	-	-	-	-	-	-	274,857	
Notes payable (Note 11)	2,371,116	-	-	43,109	-	43,109	-	2,414,225	
Total current liabilities	2,907,299	275,288	35,351	121,252	138,570	570,461	(7,236)	3,470,524	
Recoverable Capital Advance (Note 9)	-	9,988,700	1,538,300	-	10,371,000	21,898,000	-	21,898,000	
Notes Payable - Net of current portion (Note 11)	529,377	-	-	2,630,329	-	2,630,329	-	3,159,706	
Total liabilities	3,436,676	10,263,988	1,573,651	2,751,581	10,509,570	25,098,790	(7,236)	28,528,230	
Net Assets (Deficit)									
Unrestricted:									
Undesignated	1,841,572	(2,086,316)	(113,320)	(1,068,937)	(2,843,911)	(6,112,484)	-	(4,270,912)	
Board-designated endowment fund (Note 14)	69,337	-	-	-	-	-	-	69,337	
Temporarily restricted (Note 12)	887,695	-	-	-	-	-	-	887,695	
Total net assets (deficit)	2,798,604	(2,086,316)	(113,320)	(1,068,937)	(2,843,911)	(6,112,484)	-	(3,313,880)	
Total liabilities and net assets (deficit)	<u>\$ 6,235,280</u>	<u>\$ 8,177,672</u>	<u>\$ 1,460,331</u>	<u>\$ 1,682,644</u>	<u>\$ 7,665,659</u>	<u>\$ 18,986,306</u>	<u>\$ (7,236)</u>	<u>\$ 25,214,350</u>	

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Financial Position June 30, 2013

	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	\$ 1,625,273	\$ 2,408	\$ 463	\$ 20,054	\$ 45,197	\$ 68,122	\$ -	\$ 1,693,395	
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	2,738,592	55,236	16,760	108,746	127,155	307,897	(44,488)	3,002,001	
Property and Equipment - Net (Note 7)	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 8)	38,710	-	-	-	-	-	-	38,710	
Property Held for Sale (Note 8)	95,000	-	-	-	-	-	-	95,000	
Deferred Financing Costs - Net	-	-	-	52,491	-	52,491	-	52,491	
Cash - Restricted (Note 4)	-	240,173	239,290	442,556	430,929	1,352,948	-	1,352,948	
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	\$ 8,096	\$ 4,420	\$ 18,794	\$ 91,609	\$ 122,919	\$ (44,488)	\$ 297,422	
Accrued expenses (Note 10)	394,001	14,784	18,543	25,944	53,803	113,074	-	507,075	
Security deposits payable	12,897	17,179	4,337	9,202	31,391	62,109	-	75,006	
Due to/from affiliates	(203,234)	206,711	(3,477)	-	-	203,234	-	-	
Financing payable	278,263	-	-	-	-	-	-	278,263	
Refundable program advances	265,200	-	-	-	-	-	-	265,200	
Notes payable (Note 11)	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 (Note 9)	-	9,988,700	1,538,300	-	10,371,000	21,898,000	-	21,898,000	
Notes Payable - Net of current portion (Note 11)	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	1,978,721	(1,896,869)	(74,571)	(937,712)	(2,660,618)	(5,569,770)	-	(3,591,049)	
Board-designated endowment fund (Note 14)	56,129	-	-	-	-	-	-	56,129	
Temporarily restricted (Note 12)	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 Activities and Changes in Net Assets (Deficit) Year Ended June 30, 2014

	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	\$ 2,393,641	\$ -	\$ 2,393,641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,393,641	\$ -	\$ 2,393,641
Corporate, foundation, and trust contributions	236,197	882,000	1,118,197	-	-	-	-	-	236,197	882,000	1,118,197
Individual donations	262,819	-	262,819	-	-	-	-	-	262,819	-	262,819
Church donations	82,986	-	82,986	-	-	-	-	-	82,986	-	82,986
United Way donations	1,100	-	1,100	-	-	-	-	-	1,100	-	1,100
Total support	2,976,743	882,000	3,858,743	-	-	-	-	-	2,976,743	882,000	3,858,743
Revenue:											
Rental income	954,958	-	954,958	1,033,206	371,799	847,521	1,368,651	3,621,177	4,576,135	-	4,576,135
Special event	89,201	-	89,201	-	-	-	-	-	89,201	-	89,201
Management and consulting fees	172,545	-	172,545	-	-	-	-	-	172,545	-	172,545
Investment income	34,266	-	34,266	295	34	273	44	646	34,912	-	34,912
Loss on disposal of property and equipment	(60,615)	-	(60,615)	-	-	-	-	-	(60,615)	-	(60,615)
Other	41,132	-	41,132	-	1,083	2,011	24,910	28,004	69,136	-	69,136
Total revenue	1,231,487	-	1,231,487	1,033,501	372,916	849,805	1,393,605	3,649,827	4,881,314	-	4,881,314
Total revenue and support	4,208,230	882,000	5,090,230	1,033,501	372,916	849,805	1,393,605	3,649,827	7,858,057	882,000	8,740,057
Net assets released from restrictions	274,634	(274,634)	-	-	-	-	-	-	274,634	(274,634)	-
Total revenue, support, and net assets released from restrictions	4,482,864	607,366	5,090,230	1,033,501	372,916	849,805	1,393,605	3,649,827	8,132,691	607,366	8,740,057
Expenses											
Program services:											
Education	355,322	-	355,322	-	-	-	-	-	355,322	-	355,322
Supportive living	1,411,282	-	1,411,282	-	-	-	-	-	1,411,282	-	1,411,282
Community economic development	952,596	-	952,596	-	-	-	-	-	952,596	-	952,596
Real estate and development	667,178	-	667,178	1,023,643	350,819	841,894	1,297,922	3,514,278	4,181,456	-	4,181,456
Total program services	3,386,378	-	3,386,378	1,023,643	350,819	841,894	1,297,922	3,514,278	6,900,656	-	6,900,656
Support services:											
Management and general administration	1,145,949	-	1,145,949	199,305	60,846	139,136	278,976	678,263	1,824,212	-	1,824,212
Fundraising	187,523	-	187,523	-	-	-	-	-	187,523	-	187,523
Total support services	1,333,472	-	1,333,472	199,305	60,846	139,136	278,976	678,263	2,011,735	-	2,011,735
Total expenses	4,719,850	-	4,719,850	1,222,948	411,665	981,030	1,576,898	4,192,541	8,912,391	-	8,912,391
(Decrease) Increase in Net Assets - Before gain from extinguishment of debt	(236,986)	607,366	370,380	(189,447)	(38,749)	(131,225)	(183,293)	(542,714)	(779,700)	607,366	(172,334)
Gain from Extinguishment of Debt	113,045	-	113,045	-	-	-	-	-	113,045	-	113,045
(Decrease) Increase in Net Assets	(123,941)	607,366	483,425	(189,447)	(38,749)	(131,225)	(183,293)	(542,714)	(666,655)	607,366	(59,289)
Net Assets (Deficit) - Beginning 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)
Net Assets (Deficit) - End of year	<u>\$ 1,910,909</u>	<u>\$ 887,695</u>	<u>\$ 2,798,604</u>	<u>\$ (2,086,316)</u>	<u>\$ (113,320)</u>	<u>\$ (1,068,937)</u>	<u>\$ (2,843,911)</u>	<u>\$ (6,112,484)</u>	<u>\$ (4,201,575)</u>	<u>\$ 887,695</u>	<u>\$ (3,313,880)</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
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	475,900	-	475,900	-	-	-	-	-	475,900	-	475,900
Supportive living	4,733,507	-	4,733,507	-	-	-	-	-	4,733,507	-	4,733,507
Community economic development	951,726	-	951,726	-	-	-	-	-	951,726	-	951,726
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 support services	1,975,686	-	1,975,686	205,514	60,562	137,170	259,549	662,795	2,638,481	-	2,638,481
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 Functional Expenses Year Ended June 30, 2014

	Program Services									Support Services				2014
	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	
	Education	Supportive Living	Community Economic Development	Real Estate and Development	Total Bethel New Life									
Salaries	\$ 225,751	\$ 737,285	\$ 604,600	\$ 212,722	\$ 1,780,358	\$ 180,088	\$ 73,976	\$ 155,561	\$ 328,305	\$ 2,518,288	\$ 632,623	\$ 95,172	\$ 727,795	\$ 3,246,083
Fringe benefits	52,076	165,893	126,391	48,064	392,424	46,074	16,615	42,065	82,756	579,934	110,785	25,396	136,181	716,115
Total salaries and fringe benefits	277,827	903,178	730,991	260,786	2,172,782	226,162	90,591	197,626	411,061	3,098,222	743,408	120,568	863,976	3,962,198
Professional fees	4,176	51,286	95,065	35,409	185,936	215,263	133,085	184,871	452,740	1,171,895	166,884	20,921	187,805	1,359,700
Bad debt expense	-	-	-	-	-	5,208	124	264	162	5,758	-	-	-	5,758
Program and other supplies	24,129	249,589	22,688	619	297,025	35,159	10,959	38,508	56,488	438,139	13,552	250	13,802	451,941
Telephone	5,638	21,977	7,803	5,729	41,147	3,342	9,482	13,871	13,017	80,859	5,104	756	5,860	86,719
Postage and shipping	-	88	54	34	176	1,295	136	2,119	1,322	5,048	5,491	1,022	6,513	11,561
Occupancy	1,358	31,931	17,299	160,186	210,774	195,010	54,444	83,298	146,497	690,023	44,078	8,319	52,397	742,420
Outside printing	85	765	1,541	118	2,509	-	-	-	-	2,509	2,771	11,300	14,071	16,580
Transportation	10,418	5,088	16,285	2,493	34,284	74	935	1,885	777	37,955	828	7	835	38,790
Conferences and conventions	84	-	1,227	-	1,311	3,815	3,151	4,931	9,402	22,610	4,712	100	4,812	27,422
Subscriptions and publications	54	1,420	113	72	1,659	1,438	887	789	173	4,946	2,156	380	2,536	7,482
License, permits, fees, and membership dues	1,414	5,266	11,504	8,576	26,760	3,080	1,428	1,708	6,140	39,116	2,354	517	2,871	41,987
Repairs and maintenance	1,735	26,849	1,358	15,613	45,555	169,840	8,353	28,858	57,533	310,139	11,803	1,036	12,839	322,978
Insurance	11,018	38,657	24,213	36,538	110,426	62,057	17,643	55,813	95,039	340,978	5,937	8,546	14,483	355,461
Interest	-	14,379	781	59,038	74,198	-	-	141,347	-	215,545	18,822	893	19,715	235,260
Special events	2,312	-	1,597	427	4,336	-	-	-	-	4,336	3,013	-	3,013	7,349
Equipment rental	7,475	2,445	16,484	2,407	28,811	-	-	-	-	28,811	23,676	7,290	30,966	59,777
Staff development	7,599	1,019	-	240	8,858	1,510	1,014	2,534	4,392	18,308	704	1,510	2,214	20,522
Real estate taxes	-	-	-	15,903	15,903	-	-	942	-	16,845	-	-	-	16,845
Depreciation and amortization	-	57,279	3,593	62,873	123,745	299,445	78,043	221,331	319,701	1,042,265	75,282	4,108	79,390	1,121,655
Miscellaneous	-	66	-	117	183	250	1,390	335	2,454	4,612	15,374	-	15,374	19,986
HUDs administrative costs allocation	-	-	-	-	-	(199,305)	(60,846)	(139,136)	(278,976)	(678,263)	678,263	-	678,263	-
Total functional expenses	\$ 355,322	\$ 1,411,282	\$ 952,596	\$ 667,178	\$ 3,386,378	\$ 1,023,643	\$ 350,819	\$ 841,894	\$ 1,297,922	6,900,656	\$ 1,824,212	\$ 187,523	\$ 2,011,735	\$ 8,912,391

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Functional Expenses Year Ended June 30, 2013

	Program Services									Support Services			2013	
	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
	Education	Supportive Living	Community Economic Development	Real Estate and Development	Total Bethel New Life									
Salaries	\$ 285,542	\$ 3,311,317	\$ 583,759	\$ 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	123,835	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 fringe benefits	354,083	4,069,529	707,594	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	10,561	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	9,780	3,577	54,731	-	-	-	207	54,938	12,537	3,079	15,616	70,554
Postage and shipping	319	276	102	29	726	-	-	-	-	726	9,051	7,236	16,287	17,013
Occupancy	3,817	63,097	11,683	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	462	15	1,029	873	-	-	4,460	6,362	3,238	795	4,033	10,395
Transportation	22,161	54,247	7,849	84	84,341	-	768	1,152	399	86,660	9,751	396	10,147	96,807
Conferences and conventions	235	700	4,001	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	176	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	20,871	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	-	576	-	5,025	-	-	-	1,002	6,027	119	6,714	6,833	12,860
Equipment rental	6,505	5,944	3,615	12,962	29,026	-	-	-	-	29,026	24,231	1,707	25,938	54,964
Staff development	9,272	2,139	8,160	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	817	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	<u>\$ 475,900</u>	<u>\$ 4,733,507</u>	<u>\$ 951,726</u>	<u>\$ 795,015</u>	<u>\$ 6,956,148</u>	<u>\$ 958,801</u>	<u>\$ 316,824</u>	<u>\$ 817,820</u>	<u>\$ 1,299,527</u>	<u>10,349,120</u>	<u>\$ 2,352,068</u>	<u>\$ 286,413</u>	<u>\$ 2,638,481</u>	<u>\$ 12,987,601</u>

Bethel New Life, Inc. and Affiliates

Consolidating Statement of Cash Flows

	Year Ended June 30, 2014						Year Ended June 30, 2013							
	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	\$ 483,425	\$ (189,447)	\$ (38,749)	\$ (131,225)	\$ (183,293)	\$ -	\$ (59,289)	\$ 4,542,787	\$ (102,824)	\$ (21,928)	\$ (100,701)	\$ (198,496)	\$ -	\$ 4,118,838
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:														
Depreciation and amortization	203,135	299,445	78,043	221,331	319,701	-	1,121,655	128,572	298,998	73,950	219,009	314,530	-	1,035,059
Provision for losses on receivables	-	5,208	124	264	162	-	5,758	26,056	-	-	-	-	-	26,056
Reduction in reserve for uncollectible receivable	-	-	-	-	-	-	-	(74,870)	-	-	-	-	-	(74,870)
Impairment loss	-	-	-	-	-	-	-	159,477	-	-	-	-	-	159,477
Realized and unrealized gains on investments	(13,208)	-	-	-	-	-	(13,208)	(10,935)	-	-	-	-	-	(10,935)
Loss on sale of property and equipment	60,615	-	-	-	-	-	60,615	-	-	-	-	-	-	-
Gain from extinguishment of debt	(113,045)	-	-	-	-	-	(113,045)	(4,941,727)	-	-	-	-	-	(4,941,727)
(Increase) decrease in:														
Accounts receivable	441,416	(4,022)	(3,437)	2,012	(14,205)	-	421,764	1,428,285	2,233	3,710	(1,025)	86	-	1,433,289
Contributions receivable	(474,917)	-	-	-	-	-	(474,917)	(62,083)	-	-	-	-	-	(62,083)
Prepaid expenses and other current assets	112,447	(1,908)	6,851	18,326	19,975	(7,236)	148,455	163,859	853	(11,148)	6,473	(58,902)	(112,666)	(11,531)
Accounts payable and accrued expenses	(379,908)	28,518	9,860	7,094	(38,233)	7,236	(365,433)	(1,248,948)	(114,815)	(11,435)	(37,440)	90,163	112,666	(1,209,809)
Refundable program advances	9,132	-	-	-	-	-	9,132	(462,127)	-	-	-	-	-	(462,127)
Net cash provided by (used in) operating activities	329,092	137,794	52,692	117,802	104,107	-	741,487	(351,654)	84,445	33,149	86,316	147,381	-	(363)
Cash Flows from Investing Activities														
(Increase) decrease in restricted cash	-	(37,010)	(11)	(11,692)	(3)	-	(48,716)	327,923	(580)	(7,450)	(201)	(7,081)	-	312,611
Deposits to reserve for replacements and interest retained in account	-	(27,974)	(34,025)	(70,605)	(80,041)	-	(212,645)	-	(59,229)	(6,189)	(27,091)	(96,534)	-	(189,043)
Capital expenditures	(200,885)	(44,443)	(2,109)	(13,512)	(68,262)	-	(329,211)	(59,436)	(34,458)	(40,766)	(692)	(28,711)	-	(164,063)
Redemption of certificates of deposit	-	-	-	-	-	-	-	200,000	-	-	-	-	-	200,000
Net cash (used in) provided by investing activities	(200,885)	(109,427)	(36,145)	(95,809)	(148,306)	-	(590,572)	468,487	(94,267)	(54,405)	(27,984)	(132,326)	-	159,505
Cash Flows from Financing Activities														
Principal payments on notes payable	(358,280)	-	-	(40,909)	-	-	(399,189)	(696,174)	-	-	(38,821)	-	-	(734,995)
Proceeds from new debt agreements	-	-	-	-	-	-	-	750,000	-	-	-	-	-	750,000
Net cash (used in) provided by financing activities	(358,280)	-	-	(40,909)	-	-	(399,189)	53,826	-	-	(38,821)	-	-	15,005
Net (Decrease) Increase in Cash and Cash Equivalents	(230,073)	28,367	16,547	(18,916)	(44,199)	-	(248,274)	170,659	(9,822)	(21,256)	19,511	15,055	-	174,147
Cash and Cash Equivalents - Beginning of year	1,625,273	2,408	463	20,054	45,197	-	1,693,395	1,454,614	12,230	21,719	543	30,142	-	1,519,248
Cash and Cash Equivalents - End of year	<u>\$ 1,395,200</u>	<u>\$ 30,775</u>	<u>\$ 17,010</u>	<u>\$ 1,138</u>	<u>\$ 998</u>	<u>\$ -</u>	<u>\$ 1,445,121</u>	<u>\$ 1,625,273</u>	<u>\$ 2,408</u>	<u>\$ 463</u>	<u>\$ 20,054</u>	<u>\$ 45,197</u>	<u>\$ -</u>	<u>\$ 1,693,395</u>
Supplemental Disclosure of Cash Flow Information -														
Cash paid for interest	<u>\$ 86,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,336</u>	<u>\$ 83,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,676</u>

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

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 daycare center, a child daycare 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 - included in the Bethel New Life, Inc. balances.

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, 2014 and 2013

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, 2014 and 2013

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 amounts received by 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, 2014 and 2013

Note 1 - 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, 2014 and 2013, 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 2011.

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 (deficit). 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 consolidating 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 consolidating 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 one State of Illinois governmental agency that amounted to \$1,576,180 (18 percent of total support and revenue) for the year ended June 30, 2014. The Organization received government fees and contract revenue from three State of Illinois governmental agencies that amounted to \$5,999,378 (49 percent of total support and revenue) for the year ended June 30, 2013.

Subsequent Events - The consolidating financial statements and related disclosures include evaluation of events up through and including November 14, 2014, 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, 2014 and 2013

Note 2 - Program Services

Education

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

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 Health Care and Family Services.

Community Economic Development

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

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.

Community Collective Impact - Builds approaches to increasing coordination and cooperation among key stakeholder groups to support the growth of the business sector and the west side economy necessary for healthy communities.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

Note 2 - Program Services (Continued)

Real Estate and Development

Real Estate and Commercial Development - Provides affordable housing and plans for the use of community land to facilitate the redevelopment 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 daycare 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 the consolidating 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, 2014 and 2013 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.

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.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

Note 3 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2014

	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, 2014
Assets - Investments - Mutual funds - U.S. equity	\$ 69,337	\$ -	\$ -	\$ 69,337

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

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 an asset to its estimated fair value. There was no impairment charges for the year ended June 30, 2014. 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, 2014 and 2013

Note 4 - Restricted Cash

Restricted cash - noncurrent as of June 30, 2014 and 2013 consisted of the following:

	Bethel	Extended Living	Pace	Anathoth	Residences	Total
<u>2014</u>						
Tenants' security deposits	\$ -	\$ 17,000	\$ 4,433	\$ 8,659	\$ 37,952	\$ 68,044
Construction escrows	-	-	-	-	-	-
Residual receipts reserves	-	-	10,546	-	26,306	36,852
Replacement reserves*	-	283,768	256,554	502,746	450,450	1,493,518
Total	\$ -	\$ 300,768	\$ 271,533	\$ 511,405	\$ 514,708	\$ 1,598,414
<u>2013</u>						
Tenants' security deposits	\$ -	\$ 21,389	\$ 6,226	\$ 10,415	\$ 34,217	\$ 72,247
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	\$ -	\$ 240,173	\$ 239,290	\$ 442,556	\$ 430,929	\$ 1,352,948

* 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, 2014 and 2013

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Bethel:		
Government grant and contract receivables:		
U.S. Department of Housing and Urban Development	\$ 3,800	\$ -
State of Illinois:		
Department of Aging	25,335	221,520
Health Care and Family Services	132,466	352,614
Department of Human Services	62,900	251,285
Department of Commerce and Economic Opportunity	44,545	45,587
City of Chicago:		
Department of Community Development	13,629	11,406
Department of Business Affairs	5,890	-
Department of Veterans Affairs	-	4,489
New Life Community Investment	-	7,378
	<u>288,565</u>	<u>894,279</u>
Total government grant and contract receivables	288,565	894,279
Grants receivables	48,682	-
Tenant rent receivables	38,156	14,434
Allowance for uncollectible accounts	<u>(6,352)</u>	<u>(98,246)</u>
Bethel total	369,051	810,467
HUDs - Tenant rent receivables:		
Extended living	1,572	2,758
Pace	4,059	746
Anathoth	53,003	43,587
Residences	<u>16,008</u>	<u>1,965</u>
HUDs total	<u>74,642</u>	<u>49,056</u>
Grand total	<u>\$ 443,693</u>	<u>\$ 859,523</u>

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

Note 6 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give due from foundations and individuals. They are included as follows:

	2014	2013
Amounts due in:		
Less than one year	\$ 330,512	\$ 89,583
One to five years	240,000	-
Total	<u>\$ 570,512</u>	<u>\$ 89,583</u>

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	Bethel	Extended Living	Pace	Anathoth	Residences	Total
<u>2014</u>						
Land	\$ 1,007,600	\$ 100,000	\$ 33,480	\$ 18,750	\$ -	\$ 1,159,830
Buildings and building improvements	4,667,441	10,847,972	2,182,521	3,777,940	11,067,229	32,543,103
Equipment and furniture	835,148	62,525	143,119	200,560	272,758	1,514,110
Vehicles	70,298	-	-	-	-	70,298
Leasehold improvements	370,925	-	-	-	-	370,925
Subtotal	6,951,412	11,010,497	2,359,120	3,997,250	11,339,987	35,658,266
Accumulated depreciation and amortization	<u>(3,348,752)</u>	<u>(3,222,307)</u>	<u>(1,203,552)</u>	<u>(2,961,178)</u>	<u>(4,262,325)</u>	<u>(14,998,114)</u>
Net property and equipment	<u>\$ 3,602,660</u>	<u>\$ 7,788,190</u>	<u>\$ 1,155,568</u>	<u>\$ 1,036,072</u>	<u>\$ 7,077,662</u>	<u>\$ 20,660,152</u>
	Bethel	Extended Living	Pace	Anathoth	Residences	Total
<u>2013</u>						
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
Subtotal	7,492,964	10,966,054	2,357,011	3,970,554	11,271,725	36,058,308
Accumulated depreciation and amortization	<u>(3,827,439)</u>	<u>(2,922,862)</u>	<u>(1,125,509)</u>	<u>(2,743,772)</u>	<u>(3,942,624)</u>	<u>(14,562,206)</u>
Net property and equipment	<u>\$ 3,665,525</u>	<u>\$ 8,043,192</u>	<u>\$ 1,231,502</u>	<u>\$ 1,226,782</u>	<u>\$ 7,329,101</u>	<u>\$ 21,496,102</u>

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

Note 7 - Property and Equipment (Continued)

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

Note 8 - 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.

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. Based on the depressed real estate market and an offer from a potential purchaser that was significantly less than the cost of the building, Bethel recognized an impairment loss of \$159,477 in 2013.

Note 9 - 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.

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.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

Note 9 - Recoverable Capital Advances (Continued)

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.

The advances are secured by a first mortgage on the corresponding properties with a total net book value of \$16,603,795 as of June 30, 2014 and 2013. The recoverable capital advance as of June 30, 2014 and 2013 consisted of the following:

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

Note 10 - Accrued Expenses

Accrued expenses as of June 30, 2014 and 2013 consisted of the following:

	Bethel	Extended Living	Pace	Anathoth	Residences	Total
<u>2014</u>						
Compensation	\$ 161,919	\$ 5,222	\$ 1,648	\$ -	\$ 6,780	\$ 175,569
Interest	25,658	-	-	11,696	-	37,354
Other	425	30,921	16,825	8,152	47,741	104,064
Total	<u>\$ 188,002</u>	<u>\$ 36,143</u>	<u>\$ 18,473</u>	<u>\$ 19,848</u>	<u>\$ 54,521</u>	<u>\$ 316,987</u>
<u>2013</u>						
Compensation	\$ 296,572	\$ 4,282	\$ 1,465	\$ -	\$ 6,678	\$ 308,997
Interest	97,429	-	-	11,875	-	109,304
Other	-	10,502	17,078	14,069	47,125	88,774
Total	<u>\$ 394,001</u>	<u>\$ 14,784</u>	<u>\$ 18,543</u>	<u>\$ 25,944</u>	<u>\$ 53,803</u>	<u>\$ 507,075</u>

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

Note 11 - Notes Payable and Line of Credit

Notes payable as of June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Bethel: Fifth Third Bank - Mortgage note due in monthly installments aggregating \$2,493, including interest at 5 percent, matured July 1, 2013 - collateralized by rental properties at 326 and 328 N. Pulaski. On October 2, 2013, Bethel repaid the note and received a full and complete release from Fifth Third Bank	\$ -	\$ 84,909
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	130,000	154,000
Bethel: Unsecured individual notes, interest rates range from 0 percent to 6 percent, due on demand	15,000	61,375
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

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

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

	<u>2014</u>	<u>2013</u>
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	\$ 590,628	\$ 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	36,480	71,513
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>2,673,438</u>	<u>2,714,347</u>
Total	5,573,931	6,027,006
Less current portion	<u>2,414,225</u>	<u>468,084</u>
Long-term portion	<u>\$ 3,159,706</u>	<u>\$ 5,558,922</u>

The scheduled maturities as of June 30, 2014, are as follow:

Years Ending <u>June 30</u>	<u>Bethel</u>	<u>Anathoth</u>	<u>Total</u>
2015	\$ 2,371,116	\$ 43,109	\$ 2,414,225
2016	194,237	45,428	239,665
2017	192,744	47,871	240,615
2018	108,396	50,445	158,841
2019	24,000	53,158	77,158
Thereafter	<u>10,000</u>	<u>2,433,427</u>	<u>2,443,427</u>
Total	<u>\$ 2,900,493</u>	<u>\$ 2,673,438</u>	<u>\$ 5,573,931</u>

On June 30, 2014, the Organization reported a current note payable to New Life Community Investments LLC that matures on December 31, 2014. The Organization is in settlement discussions with the lender and expects to extinguish the original note in December 2014 by refinancing for a new long-term debt obligation. If additional time is required to complete the transaction, New Life Community Investments LLC will extend the loan commitment. The Organization is also negotiating a purchase sale agreement for its property located at 4320 West Madison Avenue. As a condition to the agreement, the City of Chicago would issue a loan release on the two mortgages that mature on December 6, 2014.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

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

During the year ended June 30, 2014, Bethel received a full and complete release on the mortgage of \$84,909 from Fifth Third Bank and accrued interest of \$2,830, in exchange for \$52,497 cash payments. Bethel also received a full and complete release from The 786 Foundation for the promissory note of \$99,977 and accrued interest of \$30,826, in exchange for \$81,000. Bethel received a full and complete release from an unsecured individual note of \$25,000 and accrued interest of \$35,500, in exchange for \$32,500. The total gain from extinguishment of debts for the year ended June 30, 2014 of \$113,045 was included in the consolidating statement of activities and changes in net assets (deficit).

During the year ended June 30, 2013, Bethel received a full and complete release on the first mortgage of \$97,893 from BMO Harris Bank. Bethel also received a full and complete release from U.S. Bank for the mortgage notes and lines of credit totaling \$5,377,348 and accrued interest of \$316,486, in exchange for \$850,000 cash payments. The total gain from extinguishment of debts for the year ended June 30, 2013 of \$4,941,727 was included in the consolidating statement of activities and changes in net assets (deficit).

Note 12 - Temporarily Restricted Net Assets

Temporarily restricted net assets for Bethel as of June 30, 2014 and 2013 were restricted for use on various program activities.

	2014	2013
Time and purpose restrictions:		
Financial literacy	\$ -	\$ 3,333
NIMS Metal Working Bridge program	52,500	56,250
Construction jobs educational pilot program	-	30,000
Computer training	32,000	-
Afterschool programming	480,000	-
Purpose restrictions:		
Children Saving's Task Force	-	8,000
Invest in Elders program	-	54,822
Employment services	8,555	9,399
ETP program	-	16,637
Financial literacy	-	12,500
NIMS Metal Working Bridge program	17,500	9,749
Community Economic Development	20,000	70,877
Adult day services	7,140	7,877
Afterschool programming	270,000	-
CRA event	-	885
Total temporarily restricted net assets	<u>\$ 887,695</u>	<u>\$ 280,329</u>

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

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 Internal Revenue Code (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, 2014 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 11) as of June 30, 2014 and 2013.

Note 14 - Donor-restricted and Board-designated Endowments

Bethel's endowment fund consists of one board-designated endowment fund 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.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

Note 14 - Donor-restricted and Board-designated Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total funds	\$ 69,337	\$ -	\$ -	\$ 69,337

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 56,129	\$ -	\$ -	\$ 56,129
Investment return	13,208	-	-	13,208
Endowment net assets - End of year	\$ 69,337	\$ -	\$ -	\$ 69,337

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

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	\$ 56,129	\$ -	\$ -	\$ 56,129

Note 15 - Operating Leases

As of June 30, 2014, Bethel had two operating lease agreements for the use of copier machines and a postage machine. These leases are set to expire through March 2015. Total rental expense for equipment amounted to approximately \$47,000 in 2014 and 2013.

Minimum lease payments for the year ending June 30, 2015 are \$26,393.

Bethel New Life, Inc. and Affiliates

Notes to Consolidating Financial Statements June 30, 2014 and 2013

Note 16 - Minimum Future Rentals

As of June 30, 2014, Bethel had certain operating lease agreements with tenants for use of space. Minimum future rentals to be received on noncancelable leases as of June 30, 2014 for each of the next five years and in the aggregate are:

<u>Years Ending June 30</u>	<u>Amount</u>
2015	\$ 323,485
2016	181,894
2017	144,857
2018	137,239
2019	142,147
Thereafter	<u>14,400</u>
Total	<u>\$ 944,022</u>