

**NEW BETHANY, INC.
(A Not-for-Profit Corporation)**

**Consolidated Financial Statements,
Independent Auditor's Report,
and Supplementary Information**

December 31, 2019

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Bethany, Inc.
Bethlehem, PA

Report on Financial Statements

We have audited the accompanying consolidated financial statements of New Bethany, Inc. (A Not-for-Profit Corporation) and affiliate which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of New Bethany, Inc. and affiliate as of December 31, 2019, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New Bethany, Inc.'s consolidated financial statements, and our report dated March 11, 2019 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and the related consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Campbell, Rappold & Yasaita LLP

April 22, 2020

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019 with Summarized Totals for 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 1,250,629	\$ 58,563	\$ 1,309,192	\$ 1,388,175
Client Escrow Deposits (Note 8)	46,675	-	46,675	56,521
Restricted Deposits	23,732	-	23,732	23,706
Accounts Receivable (Net of \$1,000 Allowance in 2019 and 2018)	26,880	-	26,880	23,520
Promises to Give (Note 3)	-	20,000	20,000	30,000
Prepaid Expenses	4,901	-	4,901	11,135
Investments (Note 5)	-	735,500	735,500	642,545
Property and Equipment (Note 4)	1,885,444	-	1,885,444	1,926,170
TOTAL ASSETS	\$ 3,238,261	\$ 814,063	\$ 4,052,324	\$ 4,101,772
<u>LIABILITIES AND NET ASSETS:</u>				
<u>LIABILITIES:</u>				
Accounts Payable - Trade	\$ 31,778	\$ -	\$ 31,778	\$ 38,105
Accounts Payable - Capital Projects	-	-	-	-
Accrued Salaries and Payroll Taxes	46,387	-	46,387	39,392
Client Escrow Accounts (Note 8)	46,675	-	46,675	56,521
Line of Credit (Note 15)	-	-	-	-
Notes Payable (Note 7)	57,738	-	57,738	421,160
TOTAL LIABILITIES	182,578	-	182,578	555,178
<u>NET ASSETS:</u>				
Without Donor Restrictions:				
Undesignated	\$ 1,423,875	\$ -	\$ 1,423,875	\$ 1,463,082
Invested in Property and Equipment	1,600,378	-	1,600,378	1,283,974
Board Designated for Capital Improvements	31,430	-	31,430	30,350
With Donor Restrictions:				
Purpose Restrictions (Note 11)	-	159,854	159,854	105,004
Time Restrictions (Note 11)	-	20,000	20,000	30,000
Perpetual in Nature (Note 11)	-	634,209	634,209	634,184
TOTAL NET ASSETS	3,055,683	814,063	3,869,746	3,546,594
TOTAL LIABILITIES AND NET ASSETS	\$ 3,238,261	\$ 814,063	\$ 4,052,324	\$ 4,101,772

See independent auditor's report and notes to financial statements.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019
with Summarized Totals for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Year Ended 12/31/2019 Totals	Year Ended 12/31/2018 Totals
<i>Revenues</i>				
Contributions	\$ 464,357	\$ 4,501	\$ 468,858	\$ 1,296,478
United Way Allocation	40,000	-	40,000	40,000
Governmental Support	333,183	51,250	384,433	274,495
Program Service Fees	314,869	-	314,869	291,622
Investment Income	19,408	-	19,408	7,072
Special Events	233,191	-	233,191	200,561
In-Kind Contributions	509,744	-	509,744	619,212
Miscellaneous Income	11,373	-	11,373	34,654
Net Assets Released from Restrictions	93,008	-	93,008	74,340
Total Revenue	2,019,133	55,751	2,074,884	2,838,434
<i>Expenses</i>				
<i>Program Services</i>				
Transitional and Other Housing	240,319	-	240,319	232,625
Single Room Occupancy	131,261	-	131,261	122,405
Hospitality Center	487,648	-	487,648	840,885
Restoration House	-	-	-	26,052
Center for Community Partnership	191,128	-	191,128	93,529
Wyandotte Apartments	81,049	-	81,049	72,956
Community Help Partnership	138,347	-	138,347	131,281
Grace House	49,555	-	49,555	48,042
Choice Food Pantry	118,867	-	118,867	-
Representative Payee	110,398	-	110,398	113,788
<i>Supporting Services</i>				
Management and General	125,701	-	125,701	113,199
Development	167,412	-	167,412	142,393
Total Operating Expenses	1,841,685	-	1,841,685	1,937,155
Change in Net Assets from Operations	177,448	55,751	233,199	901,279
<i>Other Changes in Net Assets</i>				
Net Assets Released From Restrictions for Capital Improvements	18,823	(18,823)	-	-
Net Assets Released From Restrictions for Operating Purposes	-	(93,008)	(93,008)	(74,340)
Loss on Fixed Asset Disposal	-	-	-	(43,265)
Contributions to Endowment	-	25	25	-
Governmental Support for Capital Improvements	44,500	-	44,500	-
Contributions for Capital Improvements	-	8,000	8,000	49,000
Realized/Unrealized Gain (Loss) on Investments	37,506	92,930	130,436	(59,404)
Total Other Changes	100,829	(10,876)	89,953	(128,009)
Increase in Net Assets	278,277	44,875	323,152	773,270
Net Assets at Beginning of Year	2,777,406	769,188	3,546,594	2,773,324
Net Assets at End of Year	\$ 3,055,683	\$ 814,063	\$ 3,869,746	\$ 3,546,594

See independent auditor's report and notes to financial statements.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
with Summarized Totals for the Year Ended December 31, 2018

	2019	2018
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ 323,152	\$ 773,270
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	\$ 162,180	\$ 149,219
Forgiveness of Debt	(352,346)	(59,619)
Donated Real Property	-	(76,639)
Loss on Disposal of Fixed Assets	-	43,265
(Increase) Decrease in Assets:		
Accounts Receivable	(3,360)	90,860
Promises to Give	10,000	50,375
Prepaid Expenses	6,234	5,295
Increase (Decrease) in Liabilities:		
Accounts Payable - Trade	(6,327)	21,972
Accrued Salaries and Payroll Taxes	6,995	2,472
Prepaid Rent	-	-
Client Escrow Accounts	(9,846)	(26,279)
Net Unrealized and Realized (Gains) and Losses	(130,436)	59,404
Contributions/Grants Restricted for Capital Improvements	(52,500)	(49,000)
Contributions to Endowment	(25)	-
	(369,431)	211,325
Net Cash Provided (Used) by Operating Activities	(46,279)	984,595
<i><u>Cash Flows from Investing Activities:</u></i>		
Sale of Real Property	-	76,639
Purchase of Investments	(25)	-
Sale of Investments	37,506	35,888
Purchase of Property and Equipment	(121,454)	(98,704)
Net Cash Provided (Used) by Investing Activities	(83,973)	13,823
<i><u>Cash Flows from Financing Activities:</u></i>		
Contributions to Endowment	25	-
Contributions/Grants for Capital Improvements	52,500	49,000
Accounts Payable - Capital Projects	-	(97,236)
Net Proceeds/Repayments on Line of Credit	-	-
Repayment of Notes Payable	(11,076)	(10,800)
Net Cash Provided (Used) by Financing Activities	41,449	(59,036)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(88,803)	939,382
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,468,402	529,020
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 1,379,599	\$ 1,468,402
<i><u>Supplemental Data:</u></i>		
In-Kind Real Property Donation	\$ -	\$ 76,639
In-Kind Debt Forgiveness	352,346	59,619
In-Kind Supplies and Services	157,398	482,954

See independent auditor's report and notes to financial statements.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019
with Summarized Totals for the Year Ended December 31, 2018

	Program Services						
	Transitional and Other Housing	Single Room Occupancy	Hospitality Center	Center for Community Partnership	Wyandotte Apartments	Grace House	Choice Pantry
Salaries	\$ 97,787	\$ 57,489	\$ 159,496	\$ 62,967	\$ 16,140	\$ 10,590	\$ 29,368
Employee Benefits	28,403	14,688	40,152	18,749	5,054	3,060	2,019
Payroll Taxes	8,634	5,065	12,777	5,584	2,288	1,446	2,341
Total Salaries and Related Expenses	\$ 134,824	\$ 77,242	\$ 212,425	\$ 87,300	\$ 23,482	\$ 15,096	\$ 33,728
Professional Fees	3,880	1,570	1,314	1,314	5,450	1,313	266
Rental Expense	-	-	-	-	-	-	-
Building Maint. and Repairs	25,195	5,580	19,879	2,489	15,572	2,303	5,703
Utilities	26,346	4,219	4,799	1,026	9,510	3,697	2,057
Telephone	1,674	1,856	611	584	1,346	3,066	196
Office	1,345	1,247	1,082	1,536	1,047	113	1,013
In-Kind Contribution Expense	5,713	-	151,576	-	-	-	-
Program Expense	-	-	49,048	79,307	-	-	47,369
Services Rendered	1,367	2,929	1,692	6,227	-	958	1,265
Insurance	5,641	2,265	2,265	2,265	1,774	2,265	598
Dues and Subscriptions	250	-	-	-	-	-	-
Conferences and Meetings	314	456	270	2,407	-	-	-
Travel	137	31	-	481	-	356	-
Printing and Publications	84	62	84	62	-	62	-
Equipment Repairs and Leases	6,220	3,426	15,883	5,647	268	2,937	12,260
Postage	75	75	75	75	-	75	-
Interest	-	-	-	-	-	-	-
Real Estate Taxes	-	-	-	-	10,332	-	-
Miscellaneous	59	8	-	-	540	-	-
Bad Debt	-	3,650	-	-	-	-	-
Depreciation	26,237	26,237	26,237	-	11,728	16,906	14,412
Special Events	958	408	408	408	-	408	-
Totals	\$ 240,319	\$ 131,261	\$ 487,648	\$ 191,128	\$ 81,049	\$ 49,555	\$ 118,867

See independent auditor's report and notes to financial statements.

Supporting Services						
Community Help Partnership	Representative Payee	Total Program Services	Management and General	Development	Totals 12/31/2019	Totals 12/31/2018
\$ 19,490	\$ 65,503	\$ 518,830	\$ 72,920	\$ 64,735	\$ 656,485	\$ 590,780
6,208	23,196	141,529	17,169	10,124	168,822	188,222
2,589	5,494	46,218	6,385	5,618	58,221	51,041
<u>\$ 28,287</u>	<u>\$ 94,193</u>	<u>\$ 706,577</u>	<u>\$ 96,474</u>	<u>\$ 80,477</u>	<u>\$ 883,528</u>	<u>\$ 830,043</u>
5,450	1,314	21,871	2,325	1,314	25,510	24,221
-	-	-	-	-	-	6,400
23,924	44	100,689	1,064	537	102,290	101,530
14,113	-	65,767	4,085	-	69,852	79,464
2,038	523	11,894	757	523	13,174	13,358
2,257	1,262	10,902	5,653	11,620	28,175	16,812
-	-	157,289	-	109	157,398	482,954
-	-	175,724	-	35	175,759	62,668
-	391	14,829	3,071	15,726	33,626	47,498
2,074	2,563	21,710	2,265	1,063	25,038	22,234
-	-	250	827	1,692	2,769	924
-	199	3,646	1,199	7,747	12,592	4,839
-	-	1,005	297	1,713	3,015	2,350
-	62	416	44	4,472	4,932	5,142
8,097	3,329	58,067	2,988	3,882	64,937	20,881
-	1,775	2,150	207	5,826	8,183	5,633
2,947	-	2,947	-	-	2,947	3,088
13,482	-	23,814	-	-	23,814	25,713
-	-	607	110	-	717	230
3,925	-	7,575	-	-	7,575	2,822
31,753	4,335	157,845	4,335	-	162,180	149,219
-	408	2,998	-	30,676	33,674	29,132
<u>\$ 138,347</u>	<u>\$ 110,398</u>	<u>\$ 1,548,572</u>	<u>\$ 125,701</u>	<u>\$ 167,412</u>	<u>\$ 1,841,685</u>	<u>\$ 1,937,155</u>

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

New Bethany, Inc. (the "Organization") is a not-for-profit corporation, doing business as New Bethany Ministries (NBM), organized under the laws of the Commonwealth of Pennsylvania for the purpose of serving the people of the Lehigh Valley who are hungry, homeless, poor, or mentally ill.

New Bethany, Inc. is the general partner of Community Help Partnership, LP, a limited partnership. New Bethany, Inc. has a 1% interest in Community Help Partnership, LP.

Consolidation of Limited Partnership

FASB ASC 958-810 deals with determining whether a general partner controls a limited partnership. FASB ASC 958-810 presumes that a general partner controls a limited partnership and therefore should consolidate the partnership. This presumption can be overcome if the limited partners have kick-out or substantive participating rights. Management has determined that Community Help Partnership, LP should be consolidated in accordance with FASB ASC 958-810.

Principles of Consolidation

The consolidated financial statements have been prepared to focus on New Bethany, Inc. and the controlled organization as a whole. All material intercompany balances and transactions have been eliminated.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated from net assets without donor restrictions, net assets for capital asset improvements.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Revenue Recognition

Program Service fees includes rental income and representative payee monthly charges. Rental income is recognized at the beginning of each month. The Organization has no additional performance requirements and therefore rents are recognized in the period due. Representative payee monthly charges are received in exchange for the monthly service and collected monthly as services are provided. Contributions and grants deemed contributions are recognized when cash, securities or other assets, and unconditional promise to give or notification of a beneficial interest is received. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary donor restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions. It is the Organization's policy to report contributions whose restricted purpose is met within the year the gift is given as contributions without donor restriction on the Consolidated Statement of Activities. The Organization reports gifts of land, buildings, and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Rental Income and Prepaid Rents

Rental Income is recognized for apartment rentals as they accrue. Advance receipts of rental income are deferred and classified as liabilities until earned.

Cash and Cash Equivalents

Cash and cash equivalents, as presented on the Consolidated Statements of Cash Flows, represents all checking, savings, and money market accounts and certificates of deposit, unless held as restricted deposits or client escrow deposits.

Concentration of Risk

As of December 31, 2019, the Organization had approximately \$636,000 of cash balances which exceeded federally insured limits. They historically have not experienced any credit related issues.

Accounts Receivable

Accounts receivable consists of rents due from tenants as well as service fee revenues due from various counties and other agencies. Management reviews the aging of rents and service fees receivable as well as individual balances in determining collectability. Accounts are written off as they are deemed uncollectible. Management has determined that an allowance for uncollectible accounts of \$1,000 in relation to rents receivable on Community Help Partnership is adequate for 2019 and 2018.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments

Investments are reported at their fair values in the Consolidated Statement of Financial Position. Unrealized gains and losses are reported as increases (decreases) in net assets without donor restrictions unless restricted by donors.

Property and Equipment

Property and equipment is stated at cost. The Organization capitalizes items purchased or received in excess of \$1,000, with a useful life greater than one year. Maintenance and repairs are charged to expense in the period incurred; major improvements are capitalized. Depreciation is computed by use of the straight-line method based on estimated useful lives of the assets, which range from 5 to 30 years. When property and equipment is sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

In-Kind Contributions

In-kind contributions of facilities and materials used in the Organization's programs are recorded as income and expense at the estimated fair value of those items. In addition, in-kind contributions of property and equipment are recorded as income and increases of property and equipment.

A substantial number of volunteers have contributed significant amounts of their time to the Organization's programs and management. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. \$-0- and \$14,088 of contributed services were recognized for the years ended December 31, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing the Organization's various program and supporting services have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Any expenses not directly chargeable to a program are allocated between program, management and general, and development based on management's estimates.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standards

During 2019, the Organization adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which affects contracts with customers to transfer good or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principles of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue and is effective for fiscal years beginning after December 31, 2018.

During 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompany financial statements under a modified prospective basis.

The Organization has determined that the implementation of the above accounting standards updates did not significantly impact the financial statements and therefore, there were no required prior period adjustments.

During 2019, the Organization adopted ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash* and all subsequent amendments to the ASU. The Update requires that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts on the statement of cash flows.

Income Tax

The Organization is exempt from federal income taxes under the provision of Section 501 (c)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to unrelated business income. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Uncertain tax positions are evaluated in accordance with FASB ASC 740-10. FASB ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. FASB ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. The Organization had no material unrecognized tax benefits or accrued interest or penalties for 2019 or 2018.

The Organization files income tax returns in the United States and the Commonwealth of Pennsylvania.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Operating Measure

Results from operations in the Consolidated Statement of Activities reflect all transactions increasing or decreasing net assets except those items of a capital nature – that is, items associated with long-term investment or acquisition of capital assets and improvements.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

2. Reconciliation of Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	2019	2018
Cash and Cash Equivalents	\$ 1,309,192	\$ 1,388,175
Client Escrow Deposits	46,675	56,521
Restricted Deposits	23,732	23,706
	\$ 1,379,599	\$ 1,468,402

3. Promises to Give

	2019	2018
Unconditional Pledges expected to be collected in:		
Less than one year	\$ 20,000	\$ 30,000
One to five years	-	-
	\$ 20,000	\$ 30,000

Contributions are recognized at fair value, when the donor makes a promise to give to the Organization that is, in substance, unconditional. Management has deemed the discount on uncollectible promises to give to be immaterial to the overall financial statements. Management has also deemed an allowance for uncollectible promises to give to be immaterial to the overall financial statements.

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4. Property and Equipment

Property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 37,700	\$ 37,700
Buildings and Improvements	4,603,767	4,501,280
Equipment	<u>317,501</u>	<u>298,534</u>
	4,958,968	4,837,514
Less: Accumulated Depreciation and Amortization	<u>(3,073,524)</u>	<u>(2,911,344)</u>
	<u>\$ 1,885,444</u>	<u>\$ 1,926,170</u>

Depreciation charged to expense was \$162,180 and \$149,219 for the years ended December 31, 2019 and 2018, respectively.

5. Investments

Investments are comprised of the following:

	<u>2019</u>	<u>2018</u>
	<u>Market</u>	<u>Market</u>
	<u>Value</u>	<u>Value</u>
Invested with Lehigh Valley Community Foundation	\$ 730,522	\$ 638,333
Mainstay Capital Appreciation B Fund	<u>4,978</u>	<u>4,212</u>
	<u>\$ 735,500</u>	<u>\$ 642,545</u>

The Organization has its endowment funds deposited with Lehigh Valley Community Foundation. \$634,209 and \$634,184 of these assets are donor restricted as of December 31, 2019 and 2018, respectively.

The Organization holds a mutual fund investment carried at market value on behalf of a client and was to be held until the client's 21st birthday. The client has reached the age of 21, but the funds have not been transferred as of December 31, 2019. All income and unrealized/ realized gains and losses are reinvested.

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6. Endowment Funds

The Organization's endowment consists of three funds established to support the mission of the Organization through the withdrawal of income as determined by the Board and donor restrictions. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the laws of the Commonwealth of Pennsylvania as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the laws of the Commonwealth of Pennsylvania.

Endowment Return Objectives, Risk Parameters and Strategies and Spending Policy

The Organization has deposited the endowment funds with Lehigh Valley Community Foundation. The foundation is responsible for the prudent investment of funds and determining the amount of funds distributable. The foundation has been granted variance power, therefore, the return objectives, risk parameters, strategies and spending policy is removed from the Organization.

Endowment net asset composition as of December 31, 2019 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift			
Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 634,209	\$ 634,209
Accumulated Investment Gains	-	96,313	96,313
Board Designated Endowment Funds	-	-	-
	<u>\$ -</u>	<u>\$ 730,522</u>	<u>\$ 730,522</u>

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6. Endowment Funds (Continued)

Changes in endowment net assets as of December 31, 2019 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 638,333	\$ 638,333
Investment Return	-	123,594	123,594
Contributions	-	25	25
Appropriation of Net Assets for Expenditure	-	(31,430)	(31,430)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 730,522</u>	<u>\$ 730,522</u>

Endowment net asset composition as of December 31, 2018 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds: Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 634,184	\$ 634,184
Accumulated Investment Gains	-	4,149	4,149
Board Designated Endowment Funds	-	-	-
	<u>\$ -</u>	<u>\$ 638,333</u>	<u>\$ 638,333</u>

Changes in endowment net assets as of December 31, 2018 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 733,418	\$ 733,418
Investment Return	-	(64,735)	(64,735)
Contributions	-	-	-
Appropriation of Net Assets for Expenditure	-	(30,350)	(30,350)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 638,333</u>	<u>\$ 638,333</u>

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6. Endowment Funds (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or state law requires the Organization to retain as a fund of perpetual duration. There was no deficiency in donor-restricted endowment funds at December 31, 2019.

7. Notes Payable

A summary of notes payable is as follows:

	2019	2018
<p>0% Support Mortgage Payable, Homes Program collateralized by land and building. Note was amended and restated during 2007 to include the First Note Payable balance of \$36,321. Payments are to be made out of "Excess Revenue" generated by the project as determined by PHFA. Payments are to be made prior to repayment of subordinate project financing and prior to any distributions to Mortgagor as Return of Equity. 50% of the computed Excess Revenue in any given year will be used to pay down the Note, with the other 50% available for distribution to the Mortgagor. Balance is due and payable upon default, sale of project, refinancing, termination of the project, or June, 2037, whichever occurs earlier. No current portion of principal is due at this time. Payments are due when excess revenue is available. Historically, excess revenue does not exist. In October 2019, PHFA released its mortgage lien on the property and forgave the balance of the debt. This note relates to the Wyandotte St. Program.</p>	\$ -	\$ 352,346
<p>A First Mortgage Note Payable to ESSA Bank, due in monthly installments of \$1,107 principal and interest. Interest is fixed at 4.375% until July, 2020 at which time the interest rate shall be reset at 2.25% above the Community Investment Program Advance Rate established by the Federal Home Loan Bank. The monthly payment amount will also be reset at this time. Note matures September, 2024. This note relates to Community Help Partnership. Debt is secured by a lien on the property of Community Help Partnership, and the note is guaranteed by New Bethany, Inc.</p>	57,738	68,814
<p>Less: Current Portion</p>	\$ 57,738 (11,663)	\$ 421,160 (10,645)
	\$ 46,075	\$ 410,515

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7. Notes Payable (Continued)

Long-term debt maturities are as follows:

Year Ending December 31,

2020	\$	11,663
2021		12,184
2022		12,728
2023		13,296
2024		7,867
Thereafter		-

Interest expense charged to earnings was \$2,947 and \$3,088 for 2019 and 2018, respectively.

8. Client Escrow Deposits

The Organization acts as a representative payee for the social security benefits received by its clients. The Organization provides individual case management reviews ensuring that the funds are expended on the client's behalf for food, clothing, shelter, and medical care. The funds are held in separate accounts and annual reports for each client are submitted to the Social Security Administration.

Security deposits paid by tenants of the buildings managed by the Organization are also classified as restricted deposits and recorded as liabilities on the Consolidated Statement of Financial Position.

9. Related Party Transactions

The Organization is the general partner of Community Help Partnership. The Organization acts as management agent for the apartment building owned by the Partnership and allocates payroll and other expenses to the Partnership. Historically, the Partnership did not have sufficient cash flow to cover operating expenses.

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10. Fair Value Measurements

Financial Accounting Standards Board ASC 820-10, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Invested with Lehigh Valley Community Foundation: Measured at the reported value by the Foundation, which approximates fair value. The Organization does not receive details of the Foundation's investment composition.

Mutual funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

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December 31, 2019

10. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no transfers between Level 1, Level 2 and Level 3 investments in 2019 and 2018. Transfers are recognized at the end of the reporting period.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019:

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Invested with Lehigh Valley Community Foundation	\$ -	\$ 730,522	\$ -	\$ 730,522
Mutual Funds - Growth Funds	4,978	-	-	4,978
Total Assets at Fair Value	\$ 4,978	\$ 730,522	\$ -	\$ 735,500

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Invested with Lehigh Valley Community Foundation	\$ -	\$ 638,333	\$ -	\$ 638,333
Mutual Funds - Growth Funds	4,212	-	-	4,212
Total Assets at Fair Value	\$ 4,212	\$ 638,333	\$ -	\$ 642,545

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11. Net Assets With Donor Restrictions

Net Assets With Donor Restrictions are available for the following purposes:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Markie Noti Trust	\$ 4,978	\$ 4,212
Summit Conference	-	4,903
Rental Assistance	32,680	59,534
Center for Community Partnership	4,000	-
Transitional Housing	500	-
Expansion Project	11,726	11,726
Vehicles	1,657	1,657
Capital Improvements	8,000	18,823
Endowment Earnings	96,313	4,149
	159,854	105,004
Subject to the Passage of Time:		
Promises to Give	20,000	80,375
	20,000	80,375
Endowments:		
Restricted by Donors for General Use	634,209	634,184
	634,209	634,184
	\$ 814,063	\$ 819,563

NEW BETHANY, INC.
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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2019

11. Net Assets With Donor Restrictions (Continued)

Net assets were released from restrictions for the following purposes:

	2019	2018
Operating Support	\$ 10,000	\$ 59,089
Meal Center	-	5,785
Rental Assistance	83,008	9,466
Acquisition of Capital Assets	18,823	14,878
	\$ 111,831	\$ 89,218

Net Assets perpetual in nature are restricted to:

	2019	2018
General Endowment Fund - Investment in perpetuity, the income from which is expendable to support the mission of the Organization.	\$ 532,509	\$ 532,484
Robinson Fund - Investment in perpetuity, the income from which is expendable to help individuals or families served by the Organization.	101,700	101,700
	\$ 634,209	\$ 634,184

In 2003, the Organization established the New Bethany Ministries fund as a permanent agency endowment fund of the Lehigh Valley Community Foundation. In 2005, the Organization established the Robinson fund as a permanent agency endowment fund of the Lehigh Valley Community Foundation.

The Foundation has been granted variance power in that in the event that it becomes unnecessary, undesirable, impractical, or impossible to utilize the fund for such purposes or if New Bethany, Inc. ceases to exist or be recognized as a tax exempt charitable organization, the Foundation shall have the right to utilize the Fund for such charitable purposes as it deems appropriate in accordance with the Foundation's governing instruments. The value of the funds at December 31, 2019 and 2018 was \$730,522 and \$638,333, respectively.

NEW BETHANY, INC.
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12. Pension

The Organization has a defined contribution simplified employee pension plan covering substantially all of its employees. For the year ended December 31, 2019 and 2018 pension expense was \$49,741 and \$47,550 respectively. The expense is computed at a rate of 5% of the participating employee's salaries with an additional 4% match of employee contribution. All costs have been funded on a current basis. The plan has assets of \$771,937 and \$703,009 as of December 31, 2019 and 2018, respectively.

13. Operating Lease

The Organization leases a copier under a long-term lease agreement. Rental expense on the lease was \$9,882 and \$8,388 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

Year Ending December 31,			
	2020	\$	9,132
	2021		9,132
	2022		7,610

There are no operating subleases.

14. Commitment and Contingencies

In May 2008, the Organization entered into an agreement with the City of Bethlehem to be the recipient of up to \$57,700 of federal HOME program funds to complete a feasibility study that examined current facilities and operations, potential locations for expansion and corresponding cost estimates, and the creation of a financing plan to guide the expansion. The Organization must meet affordability guidelines and requirements.

In November 2009, the Organization received approval for funding of the Grace House project through the Federal Home Loan Program. The grant was for \$250,000. There are various monitoring requirements of the FHLBank of Pittsburgh and Affordable Housing Program regulations. The Organization must meet compliance requirements for 15 years after the rental project is complete. The Grace House Project was completed during 2011.

15. Line of Credit

The Organization has a \$50,000 line of credit with BB&T Bank to help finance its working capital needs. Interest is payable monthly at a variable rate. The outstanding balance at December 31, 2019 was \$0-. Interest expense for the year ended December 31, 2019 was \$0-. The line of credit expires December 15, 2020.

The Organization has a \$25,000 line of credit with PNC Bank linked to the payroll account. The purpose is to cover payroll expenses if necessary. The line was not utilized during 2019.

NEW BETHANY, INC.
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16. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 1,250,629	\$ 1,291,532
Accounts Receivable	26,880	23,520
Promises to Give	<u>20,000</u>	<u>30,000</u>
	<u>\$ 1,297,509</u>	<u>\$ 1,345,052</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage with unanticipated liquidity needs, the Organization has two lines of credit which it could draw upon. One of the lines is for \$25,000 linked to the Organization's PNC Bank payroll account. The other line is for \$50,000 with BB&T Bank.

17. Summarized Totals for Year Ended December 31, 2018

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with New Bethany, Inc.'s consolidated financial statements for the year ended December 31, 2018, from which summarized information was derived.

18. Subsequent Events

Management has evaluated subsequent events through April 22, 2020 the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2019

	New Bethany Ministries	Community Help Partnership	Eliminations	Totals
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 1,299,293	\$ 9,899	\$ -	\$ 1,309,192
Client Escrow Deposits	45,957	718	-	46,675
Restricted Deposits	16,721	7,011	-	23,732
Accounts Receivable	22,354	4,526	-	26,880
Promises to Give	20,000	-	-	20,000
Prepaid Expenses	4,901	-	-	4,901
Investments	836,933	-	(101,433)	735,500
Property and Equipment (net)	1,600,378	285,066	-	1,885,444
Noncurrent Receivable, Net of Allowance for Uncollectibles of \$131,791	15,000	-	(15,000)	-
TOTAL ASSETS	<u>\$ 3,861,537</u>	<u>\$ 307,220</u>	<u>\$ (116,433)</u>	<u>\$ 4,052,324</u>
<u>LIABILITIES AND NET ASSETS:</u>				
<u>LIABILITIES:</u>				
Accounts Payable - Trade	\$ 31,238	\$ 147,331	\$ (146,791)	\$ 31,778
Accounts Payable - Capital Projects	-	-	-	-
Accrued Salaries and Payroll Taxes	46,387	-	-	46,387
Prepaid Rent	-	-	-	-
Client Escrow Accounts	45,957	718	-	46,675
Line of Credit	-	-	-	-
Notes Payable	-	57,738	-	57,738
TOTAL LIABILITIES	<u>123,582</u>	<u>205,787</u>	<u>(146,791)</u>	<u>182,578</u>
<u>NET ASSETS:</u>				
Without Donor Restrictions:				
Undesignated	\$ 1,292,084	\$ (125,895)	\$ 257,686	\$ 1,423,875
Invested in Property and Equipment	1,600,378	227,328	(227,328)	1,600,378
Board Designated for Capital Improvements	31,430	-	-	31,430
With Donor Restrictions:				
Time-Restricted for Future Periods	20,000	-	-	20,000
Purpose Restrictions	159,854	-	-	159,854
Perpetual in Nature	634,209	-	-	634,209
TOTAL NET ASSETS	<u>3,737,955</u>	<u>101,433</u>	<u>30,358</u>	<u>3,869,746</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,861,537</u>	<u>\$ 307,220</u>	<u>\$ (116,433)</u>	<u>\$ 4,052,324</u>

See independent auditor's report on supplementary information.

NEW BETHANY, INC.
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CONSOLIDATING STATEMENT OF ACTIVITIES
December 31, 2019

	New Bethany Ministries	Community Help Partnership	Eliminations	Totals
<i>Revenues</i>				
Contributions	\$ 468,858	\$ -	\$ -	\$ 468,858
United Way Allocation	40,000	-	-	40,000
Governmental Support	384,433	-	-	384,433
Program Service Fees	301,705	101,359	(88,195)	314,869
Investment Income	19,408	-	-	19,408
Special Events	233,191	-	-	233,191
In-Kind Contributions	509,744	-	-	509,744
Miscellaneous Income	10,624	749	-	11,373
Realized/Unrealized Gain (Loss) on Investments	(36,239)	-	36,239	-
Net Assets Released from Restrictions	111,831	-	-	111,831
Total Revenue	2,043,555	102,108	(51,956)	2,093,707
<i>Expenses</i>				
Program Services				
Transitional and Other Housing	240,319	-	-	240,319
Single Room Occupancy	131,261	-	-	131,261
Hospitality Center	487,648	-	-	487,648
Center for Community Partnership	191,128	-	-	191,128
Wyandotte Apartments	81,049	-	-	81,049
Community Help Partnership	88,195	138,347	(88,195)	138,347
Grace House	49,555	-	-	49,555
Food Pantry	118,867	-	-	118,867
Representative Payee	110,398	-	-	110,398
Supporting Services				
Management and General	125,701	-	-	125,701
Development	167,412	-	-	167,412
Total Operating Expenses	1,791,533	138,347	(88,195)	1,841,685
Change in Net Assets from Operations	252,022	(36,239)	36,239	252,022
<i>Other Changes in Net Assets</i>				
Net Assets Released From Restrictions				
for Capital Improvements	(18,823)	-	-	(18,823)
Net Assets Released From Restrictions				
for Operating Purposes	(93,008)	-	-	(93,008)
Bad Debt Allowance	(4,258)	-	4,258	-
Loss on Fixed Asset Disposal	-	-	-	-
Contributions to Endowment	25	-	-	25
Governmental Support for Capital Improvements	44,500	-	-	44,500
Contributions for Capital Improvements	8,000	-	-	8,000
Realized/Unrealized Gain (Loss)				
on Investments	130,436	-	-	130,436
Total Other Changes	66,872	-	4,258	71,130
Increase (Decrease) in Net Assets	318,894	(36,239)	40,497	323,152
Capital Contribution	-	26,969	(26,969)	-
Net Assets at Beginning of Year	3,419,061	110,703	16,830	3,546,594
Net Assets at End of Year	\$ 3,737,955	\$ 101,433	\$ 30,358	\$ 3,869,746

See independent auditor's report on supplementary information.