

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

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

December 31, 2018

**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, 2018, 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 and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit 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, 2018, 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 12, 2018 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, 2017 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date March 11, 2019 on our consideration of New Bethany, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Bethany, Inc.'s internal control over financial reporting and compliance.

Campbell, Roppold & Yucasita LLP

March 11, 2019

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2018 with Summarized Totals for 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Totals	2017 Totals
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 1,291,532	\$ 96,643	\$ 1,388,175	\$ 422,880
Client Escrow Deposits (Note 8)	56,521	-	56,521	82,800
Restricted Deposits	23,706	-	23,706	23,340
Accounts Receivable (Net of \$1,000 Allowance in 2018 and 2017)	23,520	-	23,520	114,380
Promises to Give (Note 3)	-	30,000	30,000	80,375
Prepaid Expenses	11,135	-	11,135	16,430
Investments (Note 5)	-	642,545	642,545	737,837
Property and Equipment (Note 4)	1,926,170	-	1,926,170	2,019,950
TOTAL ASSETS	<u>\$ 3,332,584</u>	<u>\$ 769,188</u>	<u>\$ 4,101,772</u>	<u>\$ 3,497,992</u>
<u>LIABILITIES AND NET ASSETS:</u>				
<u>LIABILITIES:</u>				
Accounts Payable - Trade	\$ 38,105	\$ -	\$ 38,105	\$ 16,133
Accounts Payable - Capital Projects	-	-	-	97,236
Accrued Salaries and Payroll Taxes	39,392	-	39,392	36,920
Client Escrow Accounts (Note 8)	56,521	-	56,521	82,800
Line of Credit (Note 15)	-	-	-	-
Notes Payable (Note 7)	421,160	-	421,160	491,579
TOTAL LIABILITIES	<u>555,178</u>	<u>-</u>	<u>555,178</u>	<u>724,668</u>
<u>NET ASSETS:</u>				
Without Donor Restrictions:				
Undesignated	\$ 1,463,082	\$ -	\$ 1,463,082	\$ 582,102
Invested in Property and Equipment	1,283,974	-	1,283,974	1,290,689
Board Designated for Capital Improvements	30,350	-	30,350	29,660
With Donor Restrictions:				
Purpose Restrictions (Note 11)	-	105,004	105,004	156,314
Time Restrictions (Note 11)	-	30,000	30,000	80,375
Perpetual in Nature (Note 11)	-	634,184	634,184	634,184
TOTAL NET ASSETS	<u>2,777,406</u>	<u>769,188</u>	<u>3,546,594</u>	<u>2,773,324</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,332,584</u>	<u>\$ 769,188</u>	<u>\$ 4,101,772</u>	<u>\$ 3,497,992</u>

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, 2018
with Summarized Totals for the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Year Ended 12/31/2018 Totals	Year Ended 12/31/2017 Totals
<i><u>Revenues</u></i>				
Contributions	\$ 1,221,653	\$ 74,825	\$ 1,296,478	\$ 503,335
United Way Allocation	40,000	-	40,000	40,000
Governmental Support	274,495	-	274,495	238,652
Restoration House-HUD Funding	-	-	-	91,946
Program Service Fees	291,622	-	291,622	302,193
Investment Income	7,072	-	7,072	553
Special Events	200,561	-	200,561	210,608
In-Kind Contributions	619,212	-	619,212	595,326
Miscellaneous Income	34,654	-	34,654	13,779
Net Assets Released from Restrictions	74,340	-	74,340	43,500
Total Revenue	<u>2,763,609</u>	<u>74,825</u>	<u>2,838,434</u>	<u>2,039,892</u>
<i><u>Expenses</u></i>				
Program Services				
Transitional and Other Housing	232,625	-	232,625	230,062
Single Room Occupancy	122,405	-	122,405	116,549
Hospitality Center	840,885	-	840,885	852,708
Restoration House	26,052	-	26,052	178,310
Center for Community Partnership	93,529	-	93,529	-
Wyandotte Apartments	72,956	-	72,956	81,416
Community Help Partnership	131,281	-	131,281	123,349
Grace House	48,042	-	48,042	47,743
Representative Payee	113,788	-	113,788	116,046
Supporting Services				
Management and General	113,199	-	113,199	105,791
Development	142,393	-	142,393	135,538
Total Operating Expenses	<u>1,937,155</u>	<u>-</u>	<u>1,937,155</u>	<u>1,987,512</u>
Change in Net Assets from Operations	<u>826,454</u>	<u>74,825</u>	<u>901,279</u>	<u>52,380</u>
<i><u>Other Changes in Net Assets</u></i>				
Net Assets Released From Restrictions for Capital Improvements	14,878	(14,878)	-	-
Net Assets Released From Restrictions for Operating Purposes	-	(74,340)	(74,340)	(43,500)
Loss on Fixed Asset Disposal	(43,265)	-	(43,265)	(662)
Contributions to Endowment	-	-	-	-
Governmental Support for Capital Improvements	-	-	-	333,415
Contributions for Capital Improvements	41,000	8,000	49,000	138,201
Realized/Unrealized Gain (Loss) on Investments	35,888	(95,292)	(59,404)	104,714
Total Other Changes	<u>48,501</u>	<u>(176,510)</u>	<u>(128,009)</u>	<u>532,168</u>
Increase (Decrease) in Net Assets	874,955	(101,685)	773,270	584,548
Net Assets at Beginning of Year	<u>1,902,451</u>	<u>870,873</u>	<u>2,773,324</u>	<u>2,188,776</u>
Net Assets at End of Year	<u>\$ 2,777,406</u>	<u>\$ 769,188</u>	<u>\$ 3,546,594</u>	<u>\$ 2,773,324</u>

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, 2018
with Summarized Totals for the Year Ended December 31, 2017

	2018	2017
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ 773,270	\$ 584,548
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	\$ 149,219	\$ 136,580
Forgiveness of Debt	(59,619)	(74,691)
Donated Real Property	(76,639)	-
Loss on Disposal of Fixed Assets	43,265	662
(Increase) Decrease in Assets:		
Client Escrow and Restricted Deposits	25,913	28,584
Accounts Receivable	90,860	(8,873)
Promises to Give	50,375	(16,500)
Prepaid Expenses	5,295	(11,112)
Increase (Decrease) in Liabilities:		
Accounts Payable - Trade	21,972	(18,761)
Accrued Salaries and Payroll Taxes	2,472	367
Prepaid Rent	-	(101)
Client Escrow Accounts	(26,279)	(20,505)
Net Unrealized and Realized (Gains) and Losses	59,404	(104,714)
Contributions/Grants Restricted for Capital Improvements	(49,000)	(471,616)
	<u>237,238</u>	<u>(560,680)</u>
Net Cash Provided by Operating Activities	1,010,508	23,868
<i><u>Cash Flows from Investing Activities:</u></i>		
Sale of Real Property	76,639	-
Sale of Investments	35,888	63,868
Purchase of Property and Equipment	<u>(98,704)</u>	<u>(535,838)</u>
Net Cash Provided (Used) by Investing Activities	13,823	(471,970)
<i><u>Cash Flows from Financing Activities:</u></i>		
Contributions/Grants for Capital Improvements	49,000	471,616
Accounts Payable - Capital Projects	(97,236)	97,236
Net Proceeds/Repayments on Line of Credit	-	(10,400)
Repayment of Notes Payable	<u>(10,800)</u>	<u>(16,147)</u>
Net Cash (Used) Provided by Financing Activities	<u>(59,036)</u>	<u>542,305</u>
Net Increase in Cash	965,295	94,203
Cash and Cash Equivalents at Beginning of Year	<u>422,880</u>	<u>328,677</u>
Cash and Cash Equivalents at End of Year	<u>\$1,388,175</u>	<u>\$ 422,880</u>
<i><u>Supplemental Data:</u></i>		
In-Kind Real Property Donation	\$ 76,639	\$ -
In-Kind Debt Forgiveness	59,619	74,691
In-Kind Supplies and Services	482,954	520,635
Interest Paid	3,088	2,828

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, 2018
with Summarized Totals for the Year Ended December 31, 2017

Program Services							
	Transitional and Other Housing	Single Room Occupancy	Hospitality Center	Restoration House	Center for Community Partnership	Wyandotte Apartments	Grace House
Salaries	\$ 93,418	\$ 51,257	\$ 168,031	\$ -	\$ 55,545	\$ 12,002	\$ 8,423
Employee Benefits	33,243	15,717	43,986	-	18,666	5,565	4,485
Payroll Taxes	8,359	4,408	13,534	-	4,804	1,412	1,129
Total Salaries and Related Expenses	\$ 135,020	\$ 71,382	\$ 225,551	\$ -	\$ 79,015	\$ 18,979	\$ 14,037
Professional Fees	4,035	942	943	7	167	6,161	942
Rental Expense	-	-	-	6,400	-	-	-
Building Maint. and Repairs	21,260	7,948	25,581	352	135	12,537	4,743
Utilities	29,201	4,387	8,760	4,048	-	10,475	4,108
Telephone	2,697	1,094	585	248	265	1,269	2,757
Office	2,443	372	672	-	197	256	67
In-Kind Contribution Expense	1,290	-	467,575	14,089	-	-	-
Program Expense	-	-	62,668	-	-	-	-
Services Rendered	1,870	4,624	15,122	-	12,017	-	363
Insurance	5,436	1,623	1,812	297	644	1,693	1,812
Dues and Subscriptions	40	-	-	-	-	-	-
Conferences and Meetings	878	831	170	-	210	-	-
Travel	146	12	9	-	264	-	250
Printing and Publications	30	15	20	-	-	-	-
Equipment Repairs and Leases	2,372	1,346	3,230	-	615	-	1,596
Postage	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Real Estate Taxes	-	-	-	-	-	10,234	-
Miscellaneous	-	-	-	-	-	191	-
Bad Debt	-	2,822	-	-	-	-	-
Depreciation	25,007	25,007	28,155	611	-	11,161	17,367
Special Events	900	-	32	-	-	-	-
Totals	\$ 232,625	\$ 122,405	\$ 840,885	\$ 26,052	\$ 93,529	\$ 72,956	\$ 48,042

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 2018	Totals 2017
\$ 16,779	\$ 70,324	\$ 475,779	\$ 59,980	\$ 55,021	\$ 590,780	\$ 595,486
7,371	25,060	154,093	20,535	13,594	188,222	189,301
1,763	5,863	41,272	5,077	4,692	51,041	50,255
\$ 25,913	\$ 101,247	\$ 671,144	\$ 85,592	\$ 73,307	\$ 830,043	\$ 835,042
6,161	942	20,300	2,979	942	24,221	22,581
-	-	6,400	-	-	6,400	38,400
27,536	122	100,214	944	372	101,530	90,806
12,994	-	73,973	5,204	287	79,464	102,190
1,915	512	11,342	611	1,405	13,358	12,396
680	907	5,594	2,873	8,345	16,812	14,116
-	-	482,954	-	-	482,954	520,635
-	-	62,668	-	-	62,668	55,942
-	163	34,159	6,456	6,883	47,498	28,277
1,812	3,670	18,799	1,812	1,623	22,234	23,094
-	-	40	314	570	924	1,364
-	-	2,089	325	2,425	4,839	2,127
-	-	681	115	1,554	2,350	2,054
-	-	65	55	5,022	5,142	7,893
4,408	1,377	14,944	1,932	4,005	20,881	30,877
-	900	900	-	4,733	5,633	7,770
3,088	-	3,088	-	-	3,088	2,828
12,759	-	22,993	-	2,720	25,713	27,740
-	-	191	39	-	230	185
-	-	2,822	-	-	2,822	1,845
34,015	3,948	145,271	3,948	-	149,219	136,580
-	-	932	-	28,200	29,132	22,770
<u>\$ 131,281</u>	<u>\$ 113,788</u>	<u>\$ 1,681,563</u>	<u>\$ 113,199</u>	<u>\$ 142,393</u>	<u>\$ 1,937,155</u>	<u>\$ 1,987,512</u>

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Effective August 21, 2018, the name of the Organization was changed from Episcopal Ministries of the Diocese of Bethlehem to New Bethany, Inc.

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, 2018

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.

Revenues

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.

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.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

Contributions (Continued)

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, 2018, the Organization had approximately \$870,000 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 2018 and 2017.

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.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

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. \$14,088 and \$2,625 of contributed services were recognized for the years ended December 31, 2018 and 2017, 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.

Recent Accounting Guidance

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the stated purpose of improving financial reporting by not-for-profit entities. Among other provisions, ASU 2016-14 reduces the number of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, enhances disclosures on liquidity, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. It also revised the definitions of certain terms. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Organization elected to adopt ASU 2016-14 for the year ending December 31, 2018 and it was applied retrospectively to the year ending December 31, 2017.

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.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

Income Tax (Continued)

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 2018 or 2017.

The Organization files income tax returns in the United States and the state of Pennsylvania. The Organization is no longer subject to U.S. federal examinations by taxing authorities for years before 2016.

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.

\$203,112 of net assets with donor restrictions were reclassified as of January 1, 2017 to net assets without donor restrictions to reflect a release from restriction for the expansion project.

2. Restoration House Program and Related In-Kind Contributions

In November 1999, the Organization entered into a sale/leaseback agreement of Restoration House with an area agency for the sum of one dollar with the option to repurchase the property at any time for the sum of one dollar. All debt associated with the Restoration House remained with the Organization.

On February 26, 2018, the Restoration House Property, owned by Valley Housing Development Corporation (VHDC), and leased by New Bethany, Inc. (NBM) was sold to a third party. At closing, the balance of the mortgage payable was satisfied (see below). Additionally, the net proceeds of \$617,839 was received by NBM and is recorded on the Consolidated Statement of Activities as contribution revenue.

For the years ended December 31, 2018 and 2017, the Organization received rental income of \$0 and \$38,400, respectively, and recorded a related rental expense for activities conducted at the Restoration House facility. In-kind debt relief associated with the Restoration House was \$59,619 and \$29,322 for the years ended December 31, 2018 and 2017, respectively.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

3. Promises to Give

Unconditional promises to give consist of the following:

	2018	2017
Unconditional Pledges expected to be collected in:		
Less than one year	\$ 30,000	\$ 50,375
One to five years	-	30,000
	\$ 30,000	\$ 80,375

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.

4. Property and Equipment

Property and equipment consist of the following:

	2018	2017
Land	\$ 37,700	\$ 37,700
Buildings and Improvements	4,501,280	4,023,622
Projects in Progress	-	506,743
Equipment	298,534	276,139
	4,837,514	4,844,204
Less: Accumulated Depreciation and Amortization	(2,911,344)	(2,824,254)
	\$ 1,926,170	\$ 2,019,950

Depreciation charged to expense was \$149,219 and \$136,580 for the years ended December 31, 2018 and 2017, respectively.

NEW BETHANY, INC.
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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

5. Investments

Investments are comprised of the following:

	2018	2017
	Market Value	Market Value
Invested with Lehigh Valley Community Foundation	\$ 638,333	\$ 733,418
Mainstay Capital Appreciation B Fund	4,212	4,419
	\$ 642,545	\$ 737,837

The Organization has its endowment funds deposited with Lehigh Valley Community Foundation. \$634,184 of these assets are donor restricted as of December 31, 2018 and 2017.

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, 2018. All income and unrealized/ realized gains and losses are reinvested.

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.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

6. Endowment Funds (Continued)

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

	Without Donor Restriction	With Donor Restrictions	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>

Endowment net asset composition as of December 31, 2017 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	-	99,234	99,234
Board Designated Endowment Funds	-	-	-
	<u>\$ -</u>	<u>\$ 733,418</u>	<u>\$ 733,418</u>

Changes in endowment net assets as of December 31, 2017 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 693,583	\$ 693,583
Investment Return	-	98,415	98,415
Contributions	-	-	-
Appropriation of Net Assets for Expenditure	-	(58,580)	(58,580)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 733,418</u>	<u>\$ 733,418</u>

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018.

7. Notes Payable

A summary of notes payable is as follows:

	2018	2017
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. This note relates to the Wyandotte St. Program.	\$ 352,346	\$ 352,346
4.04% Note Payable to BB&T. Payable in monthly installments of principal and interest of \$2,698. Matures November, 2019. Secured by real property in PA. This note relates to the Restoration House Program. This note was satisfied in full in 2018 upon the sale of the Restoration House Property.	-	59,619
A First Mortgage Note Payable to ESSA Bank, due in monthly installments of \$1,107 principal and interest. Interest is fixed at 4.75% until July, 2019 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.	68,814	79,614
Less: Current Portion	\$ 421,160 <u>(10,645)</u>	\$ 491,579 <u>(41,509)</u>
	\$ 410,515	\$ 450,070

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

7. Notes Payable (Continued)

Long-term debt maturities are as follows:

Year Ending December 31,

2019	\$	10,645
2020		11,162
2021		11,704
2022		12,272
2023		12,868
Thereafter		362,509

Aggregate maturities of long-term debt for the next five years are not determinable at this time on the Support Mortgage Payable. Computation of excess cash will be computed by PHFA annually to determine payments required, if any.

Interest expense charged to earnings was \$3,088 and \$2,828 for 2018 and 2017, 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.

Wyandotte Apartments is a program of the Episcopal Ministries of the Diocese of Bethlehem, Inc. To be in compliance with the Pennsylvania Housing Finance Agency's regulations, the accounting for Wyandotte Apartments - PHFA project number H-0008 is being performed separately from the Organization. Separate audited financial statements are prepared for the Project. The Wyandotte financial statements have been consolidated into the Organization's financial statements.

NEW BETHANY, INC.
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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018.

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.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

10. Fair Value Measurements (Continued)

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

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 2018 and 2017. 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, 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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Invested with Lehigh Valley Community Foundation	\$ -	\$ 733,418	\$ -	\$ 733,418
Mutual Funds - Growth Funds	4,419	-	-	4,419
Total Assets at Fair Value	\$ 4,419	\$ 733,418	\$ -	\$ 737,837

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

11. Net Assets With Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Subject to Expenditure for Specified Purpose:		
Markie Noti Trust	\$ 4,212	\$ 4,419
Summit Conference	4,903	7,792
Rental Assistance	59,534	-
Meal Center	-	5,785
Expansion Project	11,726	11,726
Vehicles	1,657	1,657
Capital Improvements	18,823	25,701
Endowment Earnings	4,149	99,234
	<u>105,004</u>	<u>156,314</u>
Subject to the Passage of Time:		
Promises to Give	30,000	80,375
	<u>30,000</u>	<u>80,375</u>
Endowments:		
Restricted by Donors for General Use	634,184	634,184
	<u>634,184</u>	<u>634,184</u>
	<u>\$ 769,188</u>	<u>\$ 870,873</u>

NEW BETHANY, INC.
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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

11. Net Assets With Donor Restrictions (Continued)

Net assets were released from restrictions for the following purposes:

	2018	2017
Operating Support	\$ 59,089	\$ 43,500
Meal Center	5,785	-
Rental Assistance	9,466	-
Acquisition of Capital Assets	14,878	62,500
	\$ 89,218	\$ 106,000

Net Assets perpetual in nature are restricted to:

	2018	2017
General Endowment Fund - Investment in perpetuity, the income from which is expendable to support the mission of the Organization.	\$ 532,484	\$ 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
	\$ 634,184	\$ 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, 2018 and 2017 was \$638,333 and \$733,418, respectively.

12. Pension

The Organization has a defined contribution simplified employee pension plan covering substantially all of its employees. For the year ended December 31, 2018 and 2017 pension expense was \$46,864 and \$49,485 respectively. The expense is computed at a rate of 5% of the participating employees' salaries with an additional 4% match of employee contribution. All costs have been funded on a current basis. The plan has assets of \$703,009 and \$1,002,206 as of December 31, 2018 and 2017, respectively.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

13. Operating Lease

The Organization leases a copier under a long-term lease agreement. Rental expense on the lease was \$8,388 and \$9,364 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments are as follows:

Year Ending December 31,			
	2019	\$	9,132
	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, 2018 was \$0. Interest expense for the year ended December 31, 2018 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 2018.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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:

Cash and Cash Equivalents	\$ 1,291,532
Accounts Receivable	23,520
Promises to Give	<u>30,000</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, 2017

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, 2017, from which summarized information was derived.

18. Subsequent Events

Management has evaluated subsequent events through March 11, 2019, 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
December 31, 2018

	New Bethany Ministries	Wyandotte St. Apartments	Community Help Partnership	Eliminations	Totals
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 1,347,134	\$ 18,276	\$ 22,765	\$ -	\$ 1,388,175
Client Escrow Deposits	54,641	1,400	480	-	56,521
Restricted Deposits	-	16,808	6,898	-	23,706
Accounts Receivable	270,940	2,243	3,108	(252,771)	23,520
Promises to Give	30,000	-	-	-	30,000
Prepaid Expenses	7,156	3,979	-	-	11,135
Investments	753,247	-	-	(110,702)	642,545
Property and Equipment (net)	1,521,735	114,585	289,850	-	1,926,170
Noncurrent Receivable, Net of Allowance for Uncollectibles of \$127,533	15,000	-	-	(15,000)	-
TOTAL ASSETS	<u>\$ 3,999,853</u>	<u>\$ 157,291</u>	<u>\$ 323,101</u>	<u>\$ (378,473)</u>	<u>\$ 4,101,772</u>
<u>LIABILITIES AND NET ASSETS:</u>					
<u>LIABILITIES:</u>					
Accounts Payable - Trade	\$ 36,059	\$ 254,245	\$ 143,104	\$ (395,303)	\$ 38,105
Accounts Payable - Capital Projects	-	-	-	-	-
Accrued Salaries and Payroll Taxes	39,392	-	-	-	39,392
Prepaid Rent	-	-	-	-	-
Client Escrow Accounts	54,641	1,400	480	-	56,521
Line of Credit	-	-	-	-	-
Notes Payable	-	352,346	68,814	-	421,160
TOTAL LIABILITIES	<u>130,092</u>	<u>607,991</u>	<u>212,398</u>	<u>(395,303)</u>	<u>555,178</u>
<u>NET ASSETS:</u>					
Without Donor Restrictions:					
Undesignated	\$ 1,548,488	\$ (212,939)	\$ (110,333)	\$ 237,866	\$ 1,463,082
Invested in Property and Equipment	1,521,735	(237,761)	221,036	(221,036)	1,283,974
Board Designated for Capital Improvements	30,350	-	-	-	30,350
With Donor Restrictions:					
Time-Restricted for Future Periods	30,000	-	-	-	30,000
Purpose Restrictions	105,004	-	-	-	105,004
Perpetual in Nature	634,184	-	-	-	634,184
TOTAL NET ASSETS	<u>3,869,761</u>	<u>(450,700)</u>	<u>110,703</u>	<u>16,830</u>	<u>3,546,594</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,999,853</u>	<u>\$ 157,291</u>	<u>\$ 323,101</u>	<u>\$ (378,473)</u>	<u>\$ 4,101,772</u>

See independent auditor's report on supplementary information.

NEW BETHANY, INC.
(A Not-for-Profit Corporation)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	New Bethany Ministries	Wyandotte St. Apartments	Community Help Partnership	Eliminations	Totals
<u>Revenues</u>					
Contributions	\$ 1,296,478	\$ -	\$ -	\$ -	\$ 1,296,478
United Way Allocation	40,000	-	-	-	40,000
Governmental Support	274,495	-	-	-	274,495
Restoration House-HUD Funding	-	-	-	-	-
Program Service Fees	197,534	63,365	96,340	(65,617)	291,622
Investment Income	6,936	136	-	-	7,072
Special Events	200,561	-	-	-	200,561
In-Kind Contributions	619,212	-	-	-	619,212
Miscellaneous Income	31,853	1,604	1,197	-	34,654
Realized/Unrealized Gain (Loss) on Investments	(33,744)	-	-	33,744	-
Net Assets Released from Restrictions	74,340	-	-	-	74,340
Total Revenue	2,707,665	65,105	97,537	(31,873)	2,838,434
<u>Expenses</u>					
Program Services					
Transitional and Other Housing	232,625	-	-	-	232,625
Single Room Occupancy	122,405	-	-	-	122,405
Hospitality Center	840,885	-	-	-	840,885
Restoration House	26,052	-	-	-	26,052
Center for Community Partnership	93,529	-	-	-	93,529
Wyandotte Apartments	-	72,956	-	-	72,956
Community Help Partnership	65,617	-	131,281	(65,617)	131,281
Grace House	48,042	-	-	-	48,042
Representative Payee	113,788	-	-	-	113,788
Supporting Services					
Management and General	113,199	-	-	-	113,199
Development	142,393	-	-	-	142,393
Total Operating Expenses	1,798,535	72,956	131,281	(65,617)	1,937,155
Change in Net Assets from Operations	909,130	(7,851)	(33,744)	33,744	901,279
<u>Other Changes in Net Assets</u>					
Net Assets Released From Restrictions for Capital Improvements	-	-	-	-	-
Net Assets Released From Restrictions for Operating Purposes	(74,340)	-	-	-	(74,340)
Bad Debt Allowance	(21,979)	-	-	21,979	-
Loss on Fixed Asset Disposal	(43,265)	-	-	-	(43,265)
Contributions to Endowment	-	-	-	-	-
Governmental Support for Capital Improvements	-	-	-	-	-
Contributions for Capital Improvements	49,000	-	-	-	49,000
Realized/Unrealized Gain (Loss) on Investments	(59,404)	-	-	-	(59,404)
Total Other Changes	(149,988)	-	-	21,979	(128,009)
Increase (Decrease) in Net Assets	759,142	(7,851)	(33,744)	55,723	773,270
Capital Contribution	-	-	5,900	(5,900)	-
Net Assets at Beginning of Year	3,110,619	(442,849)	138,547	(32,993)	2,773,324
Net Assets at End of Year	\$ 3,869,761	\$ (450,700)	\$ 110,703	\$ 16,830	\$ 3,546,594

See independent auditor's report on supplementary information.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
New Bethany, Inc.
Bethlehem, PA

We have audited 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, the financial statements of New Bethany, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Bethany, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Bethany, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of New Bethany, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Bethany, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Corybell, Rappold & Yucasita LLP

March 11, 2019