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October 26, 2022

Board of Directors
Bethany Evangelical Lutheran Church of Indianapolis, Inc.
4702 S. East St.
Indianapolis, IN 46227

We have reviewed the audit report of Bethany Evangelical Lutheran Church of Indianapolis, Inc. d/b/a Bethany Early Learning Ministry, which was opined upon by Pettit & Company, LLC, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Bethany Evangelical Lutheran Church of Indianapolis, Inc. d/b/a Bethany Early Learning Ministry as of December 31, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Pettit & Company, LLC prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner



**BETHANY EARLY LEARNING MINISTRY
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**



BETHANY EARLY LEARNING MINISTRY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bethany Early Learning Ministry
Indianapolis, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bethany Early Learning Ministry, which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bethany Early Learning Ministry as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bethany Early Learning Ministry and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bethany Early Learning Ministry's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bethany Early Learning Ministry's internal control. Accordingly, no such opinion is expressed. In circumstances in which the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, omit the following: "but not for the purpose of expressing an opinion on the effectiveness of Bethany Early Learning Ministry's internal control. Accordingly, no such opinion is expressed."
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bethany Early Learning Ministry's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards 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 dated September 23, 2022 on our consideration of Bethany Early Learning Ministry'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bethany Early Learning Ministry's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bethany Early Learning Ministry's internal control over financial reporting and compliance.

Pettit & Company, LLC

Indianapolis, Indiana
September 23, 2022

BETHANY EARLY LEARNING MINISTRY

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021 AND 2020

	Assets	<u>2021</u>	<u>2020</u>
Current assets			
Cash and cash equivalents		\$ 518,474	\$ 304,706
Grants and contracts receivable		95,813	68,074
Total current assets		<u>614,287</u>	<u>372,780</u>
Property and equipment			
Furniture and fixtures		33,153	30,202
Total property and equipment		33,153	30,202
Accumulated depreciation		(6,158)	(1,387)
Net property and equipment		<u>26,995</u>	<u>28,815</u>
Total assets		<u>\$ 641,282</u>	<u>\$ 401,595</u>
Liabilities and net assets			
Current liabilities			
Accounts payable - providers		\$ 59,041	\$ 41,882
Accounts payable - operations		9,356	11,355
Accrued wages payable		21,970	13,384
Total current liabilities		<u>90,367</u>	<u>66,621</u>
Total liabilities		<u>90,367</u>	<u>66,621</u>
Net assets			
Net assets without restrictions		550,915	325,368
Net assets with restrictions		-	9,606
Total net assets		<u>550,915</u>	<u>334,974</u>
Total liabilities and net assets		<u>\$ 641,282</u>	<u>\$ 401,595</u>

The accompanying notes are an integral part of these financial statements

BETHANY EARLY LEARNING MINISTRY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Grant income	\$ 1,459,890	\$ -	\$ 1,459,890
Child care fees	169,543	-	169,543
Other income	5,806	-	5,806
Net assets released from restrictions			
Satisfaction of program requirements	9,606	(9,606)	-
Total revenue and support	<u>1,644,845</u>	<u>(9,606)</u>	<u>1,635,239</u>
Expenses			
Child care	378,568	-	378,568
Child care food program	895,159	-	895,159
Management and general	145,571	-	145,571
Total cost of operations	<u>1,419,298</u>	<u>-</u>	<u>1,419,298</u>
Change in net assets	<u>225,547</u>	<u>(9,606)</u>	<u>215,941</u>
Net assets - beginning of year	<u>325,368</u>	<u>9,606</u>	<u>334,974</u>
Net assets - end of year	<u><u>\$ 550,915</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 550,915</u></u>

The accompanying notes are an integral part of these financial statements

BETHANY EARLY LEARNING MINISTRY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Grant income	\$ 1,183,038	\$ 9,606	\$ 1,192,644
Service fees	126,914	-	126,914
Other income	1,499	-	1,499
Net assets released from restrictions			
Satisfaction of program requirements	-	-	-
Total revenue and support	<u>1,311,451</u>	<u>9,606</u>	<u>1,321,057</u>
Expenses			
Child care	318,876	-	318,876
Child care food program	754,425	-	754,425
Management and general	158,623	-	158,623
Total cost of operations	<u>1,231,924</u>	<u>-</u>	<u>1,231,924</u>
Change in net assets	<u>79,527</u>	<u>9,606</u>	<u>89,133</u>
Net assets - beginning of year	<u>245,841</u>	<u>-</u>	<u>245,841</u>
Net assets - end of year	<u><u>\$ 325,368</u></u>	<u><u>\$ 9,606</u></u>	<u><u>\$ 334,974</u></u>

The accompanying notes are an integral part of these financial statements

BETHANY EARLY LEARNING MINISTRY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Child care</u>	<u>Child care food program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 249,018	\$ 65,672	\$ 314,690	\$ 102,304	\$ 416,994
Payroll taxes	19,023	5,088	24,111	7,825	31,936
Program costs - provider payments	-	804,530	804,530	-	804,530
Rent - office	-	3,000	3,000	-	3,000
Office supplies	2,063	2,381	4,444	900	5,344
Postage	22	-	22	-	22
Communication	10,313	3,638	13,951	364	14,315
Consulting	1,205	-	1,205	18,000	19,205
Occupancy - utilities	12,740	-	12,740	5,556	18,296
Occupany - routine upkeep	17,988	-	17,988	5,224	23,212
Leased equipment	3,798	-	3,798	1,656	5,454
Professional fees	2,174	6,300	8,474	-	8,474
Travel	841	1,385	2,226	-	2,226
Classroom supplies & equipment	8,046	-	8,046	-	8,046
Printing & reproduction	51	-	51	-	51
Advertising	5,851	-	5,851	-	5,851
Food	19,794	-	19,794	-	19,794
Other expense	16,210	2,799	19,009	20	19,029
Insurance	4,594	366	4,960	1,613	6,573
Facility cleaning	1,515	-	1,515	660	2,175
Depreciation	3,322	-	3,322	1,449	4,771
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 378,568	\$ 895,159	\$ 1,273,727	\$ 145,571	\$ 1,419,298

The accompanying notes are an integral part of these financial statements

BETHANY EARLY LEARNING MINISTRY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Child care</u>	<u>Child care food program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 219,353	\$ 76,672	\$ 296,025	\$ 113,359	\$ 409,384
Payroll taxes	17,078	5,730	22,808	8,672	31,480
Program costs - provider payments	-	653,304	653,304	-	653,304
Rent - office	2,820	-	2,820	180	3,000
Office supplies	349	90	439	166	605
Postage	44	-	44	-	44
Communication	4,644	8,507	13,151	2,211	15,362
Consulting	1,086	-	1,086	18,488	19,574
Occupancy - utilities	13,056	-	13,056	6,217	19,273
Occupany - routine upkeep	14,317	-	14,317	4,330	18,647
Leased equipment	2,992	327	3,319	1,424	4,743
Professional fees	4,781	6,000	10,781	-	10,781
Travel	-	-	-	-	-
Classroom supplies & equipment	3,258	-	3,258	-	3,258
Printing & reproduction	165	-	165	-	165
Advertising	356	-	356	-	356
Food	15,203	-	15,203	-	15,203
Other expense	11,649	3,395	15,044	445	15,489
Insurance	3,918	400	4,318	1,979	6,297
Facility cleaning	2,420	-	2,420	1,152	3,572
Depreciation	1,387	-	1,387	-	1,387
Total expenses	\$ 318,876	\$ 754,425	\$ 1,073,301	\$ 158,623	\$ 1,231,924

BETHANY EARLY LEARNING MINISTRY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 215,941	\$ 89,133
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,771	1,387
(Increase) decrease in assets		
Grants and contracts receivable	(27,739)	70,327
Increase (decrease) in liabilities		
Accounts payable - providers	17,159	(47,260)
Accounts payable - operations	(1,999)	(881)
Accrued wages payable	8,586	1,225
Net cash provided by (used in) operating activities	<u>216,719</u>	<u>113,931</u>
Cash from investing activities		
Purchase of property and equipment	(2,951)	(30,202)
Net cash used in investing activities	<u>(2,951)</u>	<u>(30,202)</u>
Net increase (decrease) in cash and cash equivalents	213,768	83,729
Cash and cash equivalents, beginning of year	<u>304,706</u>	<u>220,977</u>
Cash and cash equivalents, end of year	<u><u>\$ 518,474</u></u>	<u><u>\$ 304,706</u></u>

BETHANY EARLY LEARNING MINISTRY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Bethany Early Learning Ministry is a nonprofit Organization operating in Indianapolis, Indiana. The Organization's mission; is an expression of Bethany Lutheran Church's purpose: Living Christ's love within a changing world. We support parents and families by offering children, ages 6 weeks to 5 years, early education experiences nurturing the whole child – physically, intellectually, emotionally and spiritually.

The Organization also assists family day care homes that participate in the Federal Child and Adult Care Food Program of the U.S. Department of Agriculture. Funds are passed through the Indiana Department of Education for eligible children under agreement 1490206.

A summary of the Organization's significant accounting policies follows:

Basis of accounting

The accompanying financial statements are presented on the accrual basis of accounting.

Basis of presentation

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America. This has been done by classification of fund transactions and balances into two categories of net assets:

Net Assets without donor restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Cash and cash equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of two checking accounts and a money market account. The Organization maintains its operating cash balances with several financial institutions. The balances, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

BETHANY EARLY LEARNING MINISTRY

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of risk

Bethany Early Learning Ministry has grants with the Child and Adult Food Care Program and the Child Care and Development Block Grant. Approximately 75% of total revenue was received from these agencies in 2021. Approximately 82% of total revenue was received from these agencies in 2020.

Grants and contracts receivable

Grants receivable consists of grant and contract revenue expected to be received shortly after year-end. Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the financial statements for the years ended December 31, 2021 and 2020. Bad debts expensed for the years ended December 31, 2021 and 2020 totaled \$6,278 and \$1,212, respectively.

Property and equipment

Furniture and fixtures are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts will be reduced by the related costs and accumulated depreciation.

The Organization is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Organization's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during either of the years ended December 31, 2021 and 2020.

Revenue and support

The Organization recognizes contributions and grants as public support when cash, other assets or an unconditional promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

BETHANY EARLY LEARNING MINISTRY

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and support (Continued)

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No advances have been received on the grants and no deferred revenue is recognized.

The Organization recognizes revenue from daycare center fees when collected, normally weekly, and program income when the services are provided. The Organization records fundraising event revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. All goods and services are transferred at a point in time.

Other income is recognized as revenue when received.

Income taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for either of the years ended December 31, 2021 and 2020. If the situation arose in which the Organization would have interest to recognize it, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Organization is not currently under audit nor has the Organization been contacted by these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for either the years ended December 31, 2021 and 2020.

Functional expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

BETHANY EARLY LEARNING MINISTRY

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization. Our concentrations due to grantor or contributor; concentrated revenue from particular programs, services or fund-raising events; and the market or geographic area in which the Organization conducts operations make it reasonably possible that we are vulnerable to the risk of a near-term severe impact.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Advertising

Advertising cost are charged to operations as incurred. Advertising costs totaled \$5,851 and \$356 during the years ended December 31, 2021 and 2020, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Management's review of subsequent events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2021, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2021. Management has performed their analysis of subsequent events through September 23, 2022, the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions and board designation within one year of the date of the statement of financial position. Amounts with board designations not available include amounts set aside for program related activity that could be drawn upon if the governing board approves that action. Amounts appropriated from either donor-restricted or board designation categories for general expenditures within one year of the date of the statement of financial position are available.

BETHANY EARLY LEARNING MINISTRY

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

Financial assets available for general expenditure, which is without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

Financial assets at year-end:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 518,474	\$ 304,706
Grants and contracts receivable	<u>95,813</u>	<u>68,074</u>
Total financial assets	<u>614,287</u>	<u>372,780</u>
Less amounts not available to be used within one year:		
Donor – imposed restrictions	<u>-</u>	<u>(9,606)</u>
Financial assets not available to be used within one year	<u>-</u>	<u>(9,606)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 614,287</u>	<u>\$ 363,064</u>

NOTE 3 – MEMO OF UNDERSTANDING

Bethany Early Learning Ministry entered into a memo of understanding with Bethany Lutheran Church. The memo requires Bethany Early Learning Ministry to pay Bethany Lutheran Church \$250 per month for use of office space. The memo of understanding is open-ended.

NOTE 4 – PAYCHECK PROTECTION PROGRAM LOAN

In March 2020, Congress established the Paycheck Protection Program (“PPP”) to provide relief to small businesses during the coronavirus pandemic (“COVID-19”) as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The legislation authorized the Treasury to use the Small Business Association’s (“SBA’s”) 7(a) small business lending program to fund forgivable loans that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities during the “Covered Period” defined as the 8-week period starting on the date the PPP loan proceeds are received. Upon meeting certain criteria as specified in the PPP program, the loans are eligible for partial or total forgiveness.

On June 5, 2020, the PPP Flexibility Act of 2020 (the “Act”) was signed into law, giving borrowers flexibility with certain criteria under the PPP program including extension of the Covered Period to 24 weeks from 8 weeks, reduction to 60% of the payroll costs requirements (previously 75%), extension of the payment deferral period, extension of the full-time equivalent (“FTE”) restoration deadline to December 31, 2020, and safe harbor provisions to remove the FTE reduction in forgiveness under limited circumstances.

BETHANY EARLY LEARNING MINISTRY

NOTE 4 – PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

In June 2020, the AICPA issued Technical Question and Answer (“TQA”) 3200.18, Borrower Accounting for a Forgivable Loan Received under the Small Business Administration Paycheck Protection Program. The TQA addresses accounting for nongovernmental entities that are not Not-For-Profits, i.e. business entities, that believe the PPP loan represents, in substance, a grant that is expected to be forgiven, it may account for the loan as a deferred income liability. The TQA further states that if such an entity expects to meet the PPP’s eligibility criteria and concludes that the PPP loan represents in substance, a grant that is expected to be forgiven, it may account for such PPP loans in accordance with FASB ASC 958-605 as a conditional contribution.

The Organization applied for and received proceeds of \$81,022 through the PPP program on May 1, 2020, prior to the enactment of the Act. The Organization has determined both through internal calculations and those provided by the AICPA’s forgiveness model, that all criteria for forgiveness based on both the CARES Act and the Act have been met as of December 31, 2021 and that the PPP loan will be 100% forgiven. The grant was forgiven in full on December 31, 2020.

The Organization applied for a second round of PPP funding and received proceeds of \$86,582 through the PPP program on February 17, 2021. The Organization has determined both through internal calculations and those provided by the AICPA’s forgiveness model, that all criteria for forgiveness based on both the CARES Act and the Act have been met as of December 31, 2021 and that the PPP loan will be 100% forgiven. The Organization considers the PPP loan a grant that is expected to be forgiven and as such, has recorded the proceeds as a grant as of December 31, 2021.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

The Organization did not have any net assets with donor restrictions at December 31, 2021.

Net assets with donor restrictions at December 31, 2020, consist of the following:

Early Learning Indiana	\$ 8,736
Indiana Association for the Education of Young Children	<u>870</u>
	<u>\$ 9,606</u>

SINGLE AUDIT SECTION

BETHANY EARLY LEARNING MINISTRY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/Pass-Through <u>Grantor/ Program Title</u>	Federal CFDA <u>Number</u>	Pass- through Grantor's <u>Number</u>	Passed Through to <u>Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:				
<i>Passed through the State of Indiana Department of Education</i>				
Child and Adult Care Food Program	10.558	1490206	\$ 643,725	\$ 920,698
CCDF Cluster				
U.S. Department of Health and Human Services:				
Passed through Indiana Family and Social Service Administration				
Child Care and Development Block Grant	93.575	N/A	-	298,887
Passed through Indiana Department of Education:				
Child Care and Development Block Grant - COVID	93.575	N/A	<u>160,805</u>	<u>171,586</u>
Total expenditures of federal awards			<u>\$ 804,530</u>	<u>\$ 1,373,244</u>

BETHANY EARLY LEARNING MINISTRY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Bethany Early Learning Ministry under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Bethany Early Learning Ministry, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bethany Early Learning Ministry.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Per the major program requirements, Bethany Early Learning Ministry is awarded a 15% administration fee on centers served and a per meal served fee on homes served.

NOTE 3 – SUB-RECIPIENTS

The Organization provided grants to approximately 70 licensed home day care providers and registered day care ministries for carrying out the federal program.

NOTE 4 – INDIRECT COST RATE

Bethany Early Learning Ministry has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

BETHANY EARLY LEARNING MINISTRY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section II - Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2020.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs for the year ended December 31, 2020.



**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bethany Early Learning Ministry
Indianapolis, Indiana

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 Bethany Early Learning Ministry, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 23, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bethany Early Learning Ministry's internal control over financial reporting (internal control) as a basis for designing 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 Bethany Early Learning Ministry's internal control. Accordingly, we do not express an opinion on the effectiveness of Bethany Early Learning Ministry's internal control.

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 a 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 a 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 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 that might be material weaknesses or significant deficiencies. 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 Bethany Early Learning Ministry's financial statements are free from 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pettit & Company, LLC

Indianapolis, Indiana
September 23, 2022



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bethany Early Learning Ministry
Indianapolis Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bethany Early Learning Ministry's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Bethany Early Learning Ministry's major federal programs for the year ended December 31, 2021. Bethany Early Learning Ministry's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bethany Early Learning Ministry complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bethany Early Learning Ministry and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Bethany Early Learning Ministry's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Bethany Early Learning Ministry's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bethany Early Learning Ministry's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bethany Early Learning Ministry's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Bethany Early Learning Ministry's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Bethany Early Learning Ministry's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Bethany Early Learning Ministry's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pettit & Company, LLC

Indianapolis, Indiana
September 23, 2022

BETHANY EARLY LEARNING MINISTRY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Going concern paragraph included?	No
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• <i>Significant deficiency(ies) identified that are not considered to be material weaknesses?</i>	None Reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of OMB Uniform Guidance?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000.

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2021.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings and question costs for the year ended December 31, 2021.