

NASHVILLE INNER CITY MINISTRY, INC.

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SCHEDULE OF REVENUES AND EXPENSES BY LOCATION

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Nashville Inner City Ministry, Inc.
Nashville, Tennessee**

I have audited the accompanying statement of financial position of Nashville Inner City Ministry, Inc. (a Tennessee Corporation – Not For Profit) as of December 31, 2007 and the related statements of revenues and expenses and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Nashville Inner City Ministry, Inc. as of December 31, 2007, and the results of its operations, changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of revenues and expenses by location is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

May 22, 2008



DAVID P. GUENTHER

NASHVILLE INNER CITY MINISTRY, INC.
(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS

Current Assets:

Cash in the bank	\$ 223,429	
Prepaid expenses	<u>12,843</u>	
Total Current Assets		\$ 236,272

Fixed Assets:

Vehicles	\$ 266,696	
Office equipment	75,268	
Leasehold improvements	<u>103,226</u>	
	445,186	
Less: Accumulated depreciation	<u>308,362</u>	
Total Fixed Assets		<u>136,824</u>

Other Assets:

Advance to Inner City Foundation	\$ <u>69,356</u>	
Total Other Assets		<u>69,356</u>
Total Assets		<u><u>\$ 442,452</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ <u>38,864</u>	
Total Current Liabilities		\$ 38,864

Unrestricted Net Assets:	<u>403,588</u>
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Total Liabilities and Net Assets	<u><u>\$ 442,452</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

NASHVILLE INNER CITY MINISTRY, INC.
(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

Revenues:

Congregational contributions	\$ 1,183,776
Individual contributions	329,391
Corporate contributions	130,241
Special contributions, net of direct expenses of \$127,228	572,347
Interest income	7,022
Gain on disposition of fixed assets	<u>3,150</u>
Total revenues:	\$ <u>2,225,927</u>

Expenses:

Program services	\$ 1,796,157
Management and general	357,910
Fund raising	<u>121,387</u>
Total expenses:	\$ <u>2,275,454</u>
Excess (deficit) of revenues over expenses	\$ (49,527)
Unrestricted net assets, December 31, 2006	<u>453,115</u>
Unrestricted net assets, December 31, 2007	<u><u>\$ 403,588</u></u>

The accompanying notes to financial statements are an integral part of this statement.

NASHVILLE INNER CITY MINISTRY, INC.
(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

Cash Flows Provided by:

Operations - decrease in unrestricted net assets	\$	(49,527)
Add: expenses not requiring an outlay of cash - depreciation		46,242
Donated fixed assets		(11,600)
Decrease in prepaid expenses		956
Decrease in accounts payable and accrued expenses		<u>(16,671)</u>
Net cash flows from operating activities	\$	(30,600)
Cash flows from investing activities:		
Purchase of fixed assets, net of retirements	\$	<u>(10,184)</u>
Net cash flows from investing activities		(10,184)
Cash flows from financing activities:		
Repayment of loan to Inner City Foundation	\$	<u>26,891</u>
Net cash flows from financing activities		<u>26,891</u>
Net decrease in cash	\$	(13,893)
Cash, December 31, 2006		<u>237,322</u>
Cash, December 31, 2007	\$	<u><u>223,429</u></u>

The accompanying notes to financial statements are an integral part of this statement.

NASHVILLE INNER CITY MINISTRY, INC.
(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	TOTAL
Assistance to individuals	\$ 74,631	\$ -	\$ -	\$ 74,631
Salaries and wages	830,947	158,369	50,263	1,039,579
Employee benefits	169,275	22,792	1,214	193,281
Payroll taxes	15,587	7,032	-	22,619
Accounting and legal	-	10,000	-	10,000
Other professional fees	-	15,366	28,750	15,366
Supplies	157,877	60,318	13,816	232,011
Telephone	20,501	33,220	-	53,721
Postage and shipping	944	17,879	15,559	34,382
Occupancy	156,863	17,112	-	173,975
Equipment expense	1,330	-	-	1,330
Printing	623	-	1,283	1,906
Travel	324,703	-	7,806	332,509
Depreciation	38,871	7,371	-	46,242
Insurance	-	7,610	-	7,610
Miscellaneous	4,005	841	-	4,846
Other fund raising expense	<u>-</u>	<u>-</u>	<u>2,696</u>	<u>2,696</u>
	<u>\$ 1,796,157</u>	<u>\$ 357,910</u>	<u>\$ 121,387</u>	<u>\$ 2,275,454</u>

The accompanying notes to financial statements are an integral part of this statement.

NASHVILLE INNER CITY MINISTRY, INC.
(A TENNESSEE CORPORATION –NOT-FOR-PROFIT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

(1) ORGANIZATION AND GENERAL:

Nashville Inner City Ministry, Inc. (the organization) was established for the purpose of providing evangelistic outreach into areas otherwise not served by local church congregations. The organization provides bible school and worship services, as well as specific financial assistance to needy individuals. The organization utilizes an extensive bus ministry as its principal outreach tool. The organization currently serves the cities of Nashville, Murfreesboro and Chattanooga, Tennessee, Mobile, Alabama, and Pensacola, Florida. The organization's principal funding comes from contributions from local Churches of Christ.

(2) SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2007, all of the organization's net assets were unrestricted.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment – Acquisitions of property and equipment in that constitute a unit of property are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over an estimated useful life of 5 years.

Revenue Recognition – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The organization reports any donor-restricted contributions whose restrictions are not in the same accounting period as unrestricted support.

Contributed Services – The organization received a substantial amount of services donated by volunteers in carrying out its ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

Income Taxes – The organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Cash and Cash Equivalents – Cash and Cash Equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

(3) LEASES:

The organization leases various pieces of office equipment for use in its central office as well as in certain of its ministry locations. These leases expire on various dates through October, 2011. Total rental expense for this equipment in 2007 was \$18,047. Future minimum lease commitments are as follows:

2008	\$21,795
2009	\$18,634
2010	\$ 9,154
2011	\$ 3,747
2012	-

Three of the organization's five worship locations and a bus storage lot are rented on a month-to-month basis.

(4) RELATED PARTY TRANSACTIONS:

The facility housing the organization's central office and vehicle maintenance and storage facility, as well as two worship locations, are owned by the ICM Foundation, which is considered to be a related party to the organization due to having common directors. The facilities owned by the ICM Foundation are provided to the organization at no charge, with the organization being responsible for all repairs and maintenance to the properties. No amounts have been provided for the fair rental value of these facilities in the accompanying financial statements.

In April, 2004, the organization advanced \$154,272 to the ICM Foundation to purchase the facilities which had been previously leased by the organization in Mobile, Alabama. This advance is evidenced by a non-interest bearing note secured by the subject real estate. No specific terms exist in this note for the repayment of principal. The ICM Foundation repaid \$26,891 on this note in 2007.

(5) CONCENTRATIONS OF CREDIT RISK:

The total cash held by the organization at December 31, 2007 includes \$123,429 in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the financial institution is not of particular concern at this time.

(6) RETIREMENT PLAN:

The organization maintains a 403(b) retirement plan for eligible employees, who may annually contribute the maximum amount allowed by statute. The organization provides no matching funds for this plan, and accordingly, incurred no expense for this plan in 2007.

NASHVILLE INNER CITY MINISTRY, INC.
(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)
SCHEDULE OF REVENUES AND EXPENSES BY LOCATION
FOR THE YEAR ENDED DECEMBER 31, 2007

	MOBILE	PENSACOLA	CHATTANOOGA
Revenues:			
Congregation contributions	\$ 139,635	\$ 83,030	\$ 193,707
Individual contributions	3,400	110	15,150
Corporate contributions	-	-	1,000
Special contributions	-	3,867	21,649
Interest income	-	-	-
Gain on disposition of fixed assets	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total revenues	\$ 143,035	\$ 87,007	\$ 231,506
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Business administration	\$ 58,689	\$ 43,779	\$ 2,697
Office administration	11,200	26,382	3,645
Occupancy	26,959	2,330	11,810
Transportation	35,479	16,891	36,874
Community outreach	46,541	1,469	211,031
Youth and family activities	1,929	1,382	13,860
Care project	-	-	-
Inner city congregation	6,333	1,303	15,249
Development	625	-	-
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	\$ 187,755	\$ 93,536	\$ 295,166
	<u> </u>	<u> </u>	<u> </u>
Excess (deficit) of revenues over expenses	\$ (44,720)	\$ (6,529)	\$ (63,660)
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes to financial statements are an integral part of this statement.

MURFREESBORO	NASHVILLE	COMBINED
\$ 147,340	\$ 620,064	\$ 1,183,776
71,200	239,531	329,391
318	128,923	130,241
14,475	532,356	572,347
-	7,022	7,022
-	3,150	3,150
<u>233,333</u>	<u>1,531,046</u>	<u>2,225,927</u>
\$ 53,592	\$ 203,510	\$ 362,267
47,092	133,661	221,980
22,004	95,272	158,375
22,263	346,218	457,725
24,022	549,603	832,666
-	41,654	58,825
866	20,053	20,919
18,425	-	41,310
3,197	117,565	121,387
<u>191,461</u>	<u>1,507,536</u>	<u>2,275,454</u>
<u>41,872</u>	<u>23,510</u>	<u>(49,527)</u>