

BETHLEHEM CENTERS OF NASHVILLE

FINANCIAL STATEMENTS

June 30, 2011 and 2010

BETHLEHEM CENTERS OF NASHVILLE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Bethlehem Centers of Nashville
Nashville, Tennessee

We have audited the accompanying statements of financial position of Bethlehem Centers of Nashville (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bethlehem Centers of Nashville as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

March 20, 2012

BETHLEHEM CENTERS OF NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	Assets	
	2011	2010
Current assets:		
Cash and cash equivalents	\$ -	\$ 91,331
Investments	10,278	10,278
Accounts receivable	129,130	207,477
Prepaid expenses and other	3,237	6,942
Total current assets	142,645	316,028
Property and equipment, net	470,541	482,009
Total assets	<u>\$ 613,186</u>	<u>\$ 798,037</u>
Liabilities and Net Assets		
Current liabilities:		
Checks in excess of deposits	\$ 2,386	\$ -
Accounts payable and accrued expenses	124,004	126,062
Notes payable, current portion	22,367	35,853
Total current liabilities	148,757	161,915
Notes payable, less current portion	19,064	40,442
Total liabilities	<u>167,821</u>	<u>202,357</u>
Net assets:		
Unrestricted	410,821	575,680
Temporarily restricted	34,544	20,000
Total net assets	<u>445,365</u>	<u>595,680</u>
Total liabilities and net assets	<u>\$ 613,186</u>	<u>\$ 798,037</u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Program service fees	\$ 434,972	\$ -	\$ 434,972
Contributions and grants	233,649	34,544	268,193
Federal and state awards	252,392	-	252,392
United Way	242,060	-	242,060
Other	66,482	-	66,482
Sponsoring organization	32,708	-	32,708
	<u>1,262,263</u>	<u>34,544</u>	<u>1,296,807</u>
Net assets released from restrictions	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
Total support and revenue	<u>1,282,263</u>	<u>14,544</u>	<u>1,296,807</u>
Expenses:			
Program services:			
Child development	919,163	-	919,163
Youth development	174,317	-	174,317
Adult development	97,078	-	97,078
Community outreach	43,081	-	43,081
Shopping Bag	9,859	-	9,859
Total program services	<u>1,243,498</u>	<u>-</u>	<u>1,243,498</u>
Supporting services:			
Management and general	<u>203,624</u>	<u>-</u>	<u>203,624</u>
Total expenses	<u>1,447,122</u>	<u>-</u>	<u>1,447,122</u>
Change in net assets	(164,859)	14,544	(150,315)
Net assets at beginning of year	<u>575,680</u>	<u>20,000</u>	<u>595,680</u>
Net assets at end of year	<u><u>\$ 410,821</u></u>	<u><u>\$ 34,544</u></u>	<u><u>\$ 445,365</u></u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Program service fees	\$ 523,286	\$ -	\$ 523,286
Federal and state awards	350,622	-	350,622
United Way	288,072	-	288,072
Gain on disposal of fixed assets	223,615	-	223,615
Contributions and grants	246,734	20,000	266,734
Sponsoring organization	222,108	-	222,108
Other	29,118	-	29,118
	<u>1,883,555</u>	<u>20,000</u>	<u>1,903,555</u>
Net assets released from restrictions	<u>40,314</u>	<u>(40,314)</u>	<u>-</u>
Total support and revenue	<u>1,923,869</u>	<u>(20,314)</u>	<u>1,903,555</u>
Expenses:			
Program services:			
Child development	914,665	-	914,665
Youth development	264,404	-	264,404
Adult development	92,952	-	92,952
Community outreach	13,784	-	13,784
Total program services	<u>1,285,805</u>	<u>-</u>	<u>1,285,805</u>
Supporting services:			
Marketing and development	1,015	-	1,015
Management and general	203,750	-	203,750
Total supporting services	<u>204,765</u>	<u>-</u>	<u>204,765</u>
Total expenses	<u>1,490,570</u>	<u>-</u>	<u>1,490,570</u>
Change in net assets	433,299	(20,314)	412,985
Net assets at beginning of year	<u>142,381</u>	<u>40,314</u>	<u>182,695</u>
Net assets at end of year	<u>\$ 575,680</u>	<u>\$ 20,000</u>	<u>\$ 595,680</u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2011

	Program Services					Total Program Services and General	Total
	Child Development	Youth Development	Adult Development	Community Outreach	Shopping Bag		
Salaries	\$ 612,130	\$ 91,727	\$ 45,454	\$ 19,962	\$ 8,157	\$ 777,430	\$ 808,555
Payroll taxes and benefits	115,475	11,929	7,956	3,290	1,139	139,789	143,511
Total salaries and related expenses	727,605	103,656	53,410	23,252	9,296	917,219	952,066
Occupancy	64,863	14,187	3,283	2,589	286	85,208	122,444
Food	59,361	-	16,415	-	-	75,776	76,015
Supplies and materials	32,470	13,783	13,017	8,203	29	67,502	71,742
Contract labor	1,176	25,382	4,020	7,345	-	37,923	51,542
Insurance	15,550	4,563	1,252	836	57	22,258	23,646
Professional fees	5,486	1,660	554	420	77	8,197	17,546
Printing and reproduction	3,355	1,109	261	195	89	5,009	16,382
Telephone	7,195	2,599	559	223	25	10,601	13,593
Interest and bank fees	-	-	-	-	-	-	11,462
Travel	1,573	5,776	1,620	-	-	8,969	9,188
Vehicles	106	1,004	2,611	-	-	3,721	4,347
Other	423	43	76	18	-	560	3,074
Conferences and meetings	-	555	-	-	-	555	1,920
Total nonpersonnel expenses	191,558	70,661	43,668	19,829	563	326,279	422,901
Total before depreciation	919,163	174,317	97,078	43,081	9,859	1,243,498	1,374,967
Depreciation	-	-	-	-	-	-	72,155
Total expenses	\$ 919,163	\$ 174,317	\$ 97,078	\$ 43,081	\$ 9,859	\$ 1,243,498	\$ 1,447,122

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2010

	Program Services					Marketing and Development	Management and General	Total
	Child Development	Youth Development	Adult Development	Community Outreach	Total Program Services			
Salaries	\$ 515,939	\$ 133,955	\$ 44,743	\$ 2,330	\$ 696,967	\$ -	\$ 15,077	\$ 712,044
Payroll taxes and benefits	89,673	19,619	5,183	289	114,764	-	4,253	119,017
Total salaries and related expenses	605,612	153,574	49,926	2,619	811,731	-	19,330	831,061
Occupancy	114,437	23,391	6,567	505	144,900	254	18,464	163,618
Contract labor	27,225	35,698	4,445	2,715	70,083	-	68,048	138,131
Supplies and materials	47,447	21,228	8,569	7,331	84,575	2	6,480	91,057
Food	73,578	2,232	13,266	300	89,376	-	(198)	89,178
Insurance	17,157	3,170	1,471	20	21,818	5	1,111	22,934
Travel	1,604	14,257	5,142	-	21,003	-	476	21,479
Other	3,894	804	496	23	5,217	3	11,458	16,678
Telephone	10,722	3,076	553	35	14,386	5	1,158	15,549
Interest	-	-	-	-	-	-	12,234	12,234
Professional fees	6,640	2,771	687	24	10,122	6	1,346	11,474
Printing and reproduction	2,795	1,489	485	201	4,970	740	665	6,375
Vehicles	2,615	674	1,345	11	4,645	-	622	5,267
Conferences and meetings	854	2,040	-	-	2,894	-	1,145	4,039
Equipment rent and maintenance	85	-	-	-	85	-	635	720
Total nonpersonnel expenses	309,053	110,830	43,026	11,165	474,074	1,015	123,644	598,733
Total before depreciation	914,665	264,404	92,952	13,784	1,285,805	1,015	142,974	1,429,794
Depreciation	-	-	-	-	-	-	60,776	60,776
Total expenses	\$ 914,665	\$ 264,404	\$ 92,952	\$ 13,784	\$ 1,285,805	\$ 1,015	\$ 203,750	\$ 1,490,570

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (150,315)	\$ 412,985
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,155	60,776
Gain on disposal of asset	-	(223,615)
Changes in operating assets and liabilities:		
Accounts receivable	78,347	(111,274)
Prepaid expenses and other	3,705	5,232
Accounts payable and accrued expenses	<u>(2,058)</u>	<u>(194)</u>
Net cash provided by operating activities	<u>1,834</u>	<u>143,910</u>
Cash flows from investing activities:		
Purchases of property and equipment	(60,687)	(186,854)
Proceeds from sale of land	<u>-</u>	<u>250,000</u>
Net cash (used in) provided by investing activities	<u>(60,687)</u>	<u>63,146</u>
Cash flows from financing activities:		
Principal payments on note payable	<u>(34,864)</u>	<u>(173,692)</u>
Net cash used in financing activities	<u>(34,864)</u>	<u>(173,692)</u>
Net (decrease) increase in cash and cash equivalents	(93,717)	33,364
Cash and cash equivalents at beginning of year	<u>91,331</u>	<u>57,967</u>
Cash and cash equivalents (checks in excess of deposits) at end of the year	<u>\$ (2,386)</u>	<u>\$ 91,331</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 5,989</u>	<u>\$ 12,234</u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bethlehem Centers of Nashville (the “Organization”) is a not-for-profit corporation that provides programs designed to empower at-risk children and their families, including complete child care services and various educational, preventive and recreational programs. The Organization’s activities are funded from various sources. As a United Methodist Mission Agency, the Organization receives church-related funding and support as well as contributions from foundations and individuals. In addition, the Organization receives support from United Way and participates in grants and awards from governmental agencies and other organizations. A brief description of the Organization’s programs are as follows:

Child Development – serves children of at-risk families by providing quality child care, aftercare and reading programs.

Youth Development – serves at-risk youth by promoting self-esteem, team and job readiness/development, alcohol and drug prevention, and providing academic support and recreational activities.

Adult Development – serves adults of at-risk families by providing workforce development, serves homebound and disabled senior adults by providing meals, and serves senior adults with activities that promote health, wellness and empowerment.

Community Outreach – serves at-risk families by providing emergency food boxes, the Christmas Toy Store, educational programs, family counseling, internships, volunteer opportunities, information, advocacy, referrals, and the Family Resource Center.

Shopping Bag – allows families to have an affordable outlet for shopping.

Basis of Presentation

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Under generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

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

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization has no permanently restricted net assets as of June 30, 2011 or 2010.

Contributions which are restricted for specific programs are reflected as unrestricted revenue if the funds are received and spent during the same fiscal year.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts, and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are reviewed periodically as to their collectibility. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2011 and 2010.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Estimated useful lives of all major classes of assets are as follows:

Building and improvements	25 – 40 years
Furniture and equipment	5 – 15 years
Vehicles	5 years

Income Taxes

The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification guidance clarifying the accounting for uncertainty in income taxes recognized in an organization's financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax years that remain open for examination include years ended June 30, 2008 through June 30, 2011. There are no tax penalties or interest reported in the accompanying financial statements.

Donated Materials and Services

Donated materials, equipment and vendor services, if any, are reflected as contributions and expenses in the accompanying statements at their estimated values upon receipt.

During the years ended June 30, 2011 and 2010, the value of contributed services from individuals meeting the requirements for recognition in the financial statements was not significant and has not been recorded. The Organization receives a significant amount of donated services from unpaid volunteers who assist in various activities.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Use of Estimates

The preparation of financial statements in conformity with generally accounting principles require 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.

Allocated Expenses

For purposes of the statements of functional expenses, certain expenses have been allocated between program and supporting services based on estimates made by management. The Organization changed certain program service classifications in its statement of functional expenses for fiscal year 2011. The new classifications are intended to more clearly present the Organization and its related costs.

Subsequent Events

The Organization evaluated subsequent events through March 20, 2012 when these financial statements were available to be issued. Other than the events discussed in Note 9, management is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – ACCOUNTS RECEIVABLE

At June 30, 2011 and 2010, accounts receivable consist of the following:

	<u>2011</u>	<u>2010</u>
Receivables related to governmental agencies – contracts and grants	\$ <u>129,130</u>	\$ <u>207,477</u>

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 3 – CAMP DOGWOOD RENOVATIONS, NET

The Organization previously maintained Camp Dogwood, a 200+ acre property located in Cheatham County, Tennessee. Camp Dogwood is owned by the Women's Division of the United Methodist Church and was available to the Organization to do mission work. The Organization has not utilized this property in several years and, accordingly, wrote off the net value of previously capitalized renovation expenditures of \$23,108 during fiscal year 2010.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
Buildings and improvements	\$ 1,242,547	\$ 1,209,382
Furniture and equipment	685,672	661,056
Vehicles	<u>12,622</u>	<u>75,044</u>
	1,940,841	1,945,482
Less accumulated depreciation	<u>(1,470,300)</u>	<u>(1,463,473)</u>
	<u>\$ 470,541</u>	<u>\$ 482,009</u>

In November 2009, the Organization sold a parcel of land to the Women's Division of the United Methodist Church for \$250,000. The resulting \$246,633 gain on sale of asset was recognized in the June 30, 2010 statement of activities. The gain is reported in the accompanying statement of activities for the year ended June 30, 2010 net of \$23,018 of Camp Dogwood renovations written off as discussed in Note 3.

NOTE 5 – NOTES PAYABLE

Notes payable consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
Note payable to bank – interest 8%; secured by substantially all the assets of the Organization; matures November 2012. (see Note 9)	\$ 32,224	\$ 65,266
Note payable to bank – interest 6.00%; secured by balances held by the bank and property; matures June 2013.	<u>9,207</u>	<u>11,029</u>
	<u>\$ 41,431</u>	<u>\$ 76,295</u>

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 5 – NOTES PAYABLE (Continued)

Maturities of estimated principal payments are as follows:

Year ended <u>June 30,</u>	
2012	\$ 22,367
2013	19,064
2014	-
2015	-
2016	-
Thereafter	<u>-</u>
	<u>\$ 41,431</u>

NOTE 6 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are comprised of the following at June 30:

	<u>2011</u>	<u>2010</u>
HCA Grant receivable	\$ -	\$ 20,000
Baptist Healing Trust grant	17,282	-
Restricted contribution – Frist Foundation	15,611	-
Community Foundation – Daycare scholarships	<u>1,651</u>	<u>-</u>
Total	<u>\$ 34,544</u>	<u>\$ 20,000</u>

NOTE 7 – CONCENTRATIONS AND COMMITMENTS

The Organization receives a substantial amount of its support through governmental fees and awards and from private foundations. A significant reduction in the level of this support, if it were to occur, could have a significant effect on the programs and services of the Organization.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 8 – OPERATING LEASE

During December 2008, the Organization entered into five-year lease agreement for a copier. The lease requires monthly lease payments of \$535. Lease expense under the agreement amounted to \$10,933 and \$10,321 for the years ended June 30, 2011 and 2010, respectively. A summary of future minimum lease payments as of June 30, 2011 is as follows:

Year Ending <u>June 30,</u>	
2012	\$ 6,420
2013	6,420
2014	<u>3,210</u>
	<u>\$ 16,050</u>

NOTE 9 – SUBSEQUENT EVENTS

Effective July 2011, the Organization refinanced the terms of an existing bank debt agreement which originally had a maturity date of February 2013. Under the new terms of the agreement, the Organization is to pay interest only on the debt for the period of August through November 2011, with monthly principal and interest payments of \$2,696 beginning in December 2011. The loan matures November 2012 with all outstanding principal and accrued interest due. All other terms of the original loan agreement did not substantially change. Debt maturities and terms disclosed in Note 5 are in accordance with this refinancing agreement.

In addition, the Organization secured a \$50,000 line of credit during September 2011. The line matures in September 2012 and has a variable interest rate.