

**NASHVILLE INNER CITY MINISTRY, INC.**  
**(A TENNESSEE CORPORATION –NOT-FOR-PROFIT)**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**NASHVILLE INNER CITY MINISTRY, INC.**

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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, 2006 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, 2006, 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.**

A handwritten signature in black ink, appearing to read 'D. P. Guenther', with a stylized flourish at the end.

**DAVID P. GUENTHER**

**June 1, 2007**

**NASHVILLE INNER CITY MINISTRY, INC.**  
**(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2006**

**ASSETS**

**Current Assets:**

Cash in the bank	\$	237,322	
Prepaid expenses		<u>13,799</u>	
Total Current Assets			\$ 251,121

**Fixed Assets:**

Vehicles	\$	280,134	
Office equipment		69,476	
Leasehold improvements		<u>96,140</u>	
		445,750	
Less: Accumulated depreciation		<u>284,468</u>	
Total Fixed Assets			<u>161,282</u>

**Other Assets:**

Advance to Inner City Foundation	\$	<u>96,247</u>	
Total Other Assets			<u>96,247</u>
Total Assets			\$ <u><u>508,650</u></u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts payable	\$	45,128	
Payroll withholdings		<u>10,407</u>	
Total Current Liabilities			\$ 55,535

Unrestricted Net Assets:			<u>453,115</u>
Total Liabilities and Net Assets			\$ <u><u>508,650</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 REVENUES AND EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Revenues:**

Congregational contributions	\$ 1,397,802
Individual contributions	289,650
Corporate contributions	91,418
Special contributions, net of direct expenses of \$127,786	456,541
Interest income	9,151
Gain on disposition of fixed assets	<u>1,500</u>
<b>Total revenues:</b>	<b>\$ <u>2,246,062</u></b>

**Expenses:**

Program services	\$ 1,994,883
Management and general	365,072
Fund raising	<u>153,527</u>
<b>Total expenses:</b>	<b>\$ <u>2,513,482</u></b>
<b>Excess (deficit) of revenues over expenses</b>	<b>\$ (267,420)</b>
<b>Unrestricted net assets, December 31, 2005</b>	<b><u>720,535</u></b>
<b>Unrestricted net assets, December 31, 2006</b>	<b>\$ <u><u>453,115</u></u></b>

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, 2006**

**Cash Flows Provided by:**

<b>Operations - decrease in unrestricted net assets</b>	<b>\$ (267,420)</b>
<b>Add: expenses not requiring an outlay of cash - depreciation</b>	<b>39,415</b>
<b>Advances to related entities</b>	<b>1,129</b>
<b>Donated fixed assets</b>	<b>(16,271)</b>
<b>Decrease in prepaid expenses</b>	<b>2,247</b>
<b>Increase in accounts payable and accrued expenses</b>	<b><u>40,265</u></b>
<b>Net cash flows from operating activities</b>	<b>\$ (200,635)</b>
<b>Cash flows from investing activities:</b>	
<b>Purchase of fixed assets</b>	<b>\$ <u>(26,922)</u></b>
<b>Net cash flows from investing activities</b>	<b>(26,922)</b>
<b>Cash flows from financing activities:</b>	
<b>Repayment of loan to Inner City Foundation</b>	<b>\$ <u>23,253</u></b>
<b>Net cash flows from financing activities</b>	<b><u>23,253</u></b>
<b>Net decrease in cash</b>	<b>\$ (204,304)</b>
<b>Cash, December 31, 2005</b>	<b><u>441,626</u></b>
<b>Cash, December 31, 2006</b>	<b>\$ <u><u>237,322</u></u></b>

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, 2006**

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	TOTAL
Assistance to individuals	\$ 121,213	\$ -	\$ -	\$ 121,213
Salaries and wages	854,996	147,300	60,927	1,063,223
Employee benefits	164,176	20,706	504	185,386
Payroll taxes	17,368	6,187	844	24,399
Accounting and legal	-	8,500	-	8,500
Other professional fees	-	42,133	-	42,133
Supplies	195,797	56,844	24,666	277,307
Telephone	39,472	49,498	-	88,970
Postage and shipping	2,932	9,521	17,466	29,919
Occupancy	211,872	16,154	-	228,026
Equipment expense	3,605	-	-	3,605
Printing	501	-	1,553	2,054
Travel	336,586	800	11,217	348,603
Depreciation	37,875	1,540	-	39,415
Insurance	-	4,448	-	4,448
Miscellaneous	8,490	1,441	-	9,931
Public relations	-	-	2,318	2,318
Other fund raising expense	<u>-</u>	<u>-</u>	<u>34,032</u>	<u>34,032</u>
	<u>\$ 1,994,883</u>	<u>\$ 365,072</u>	<u>\$ 153,527</u>	<u>\$ 2,513,482</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, 2006**

**(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, Huntsville and Mobile, Alabama, and Pensacola, Florida. The organization's principal funding comes from contributions from local Churches of Christ. As of December 31, 2006, the Huntsville, Alabama ministry location became an independent church, separate from the organization.

**(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 June 30, 2005, 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 September, 2009. Total rental expense for this equipment in 2006 was \$15,178. Future minimum lease commitments are as follows:

2007	\$14,618
2008	\$12,641
2009	\$ 9,241
2010	-
2011	-

Four of the organization's six 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 \$23,253 on this note in 2006.

**(5) CONCENTRATIONS OF CREDIT RISK:**

The total cash held by the organization at December 31, 2006 includes \$117,351 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.

**NASHVILLE INNER CITY MINISTRY, INC.**  
**(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)**  
**SCHEDULE OF REVENUES AND EXPENSES BY LOCATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	HUNTSVILLE	MOBILE	PENSACOLA
<b>Revenues:</b>			
Congregation contributions	\$ 148,000	\$ 136,753	\$ 70,308
Individual contributions	-	4,000	4,171
Corporate contributions	-	-	2,500
Special contributions	64,917	2,194	9,861
Interest income	-	-	-
Gain on disposition of fixed assets	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total revenues</b>	<b>\$ 212,917</b>	<b>\$ 142,947</b>	<b>\$ 86,840</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Expenditures:</b>			
Business administration	\$ 67,821	\$ 47,528	\$ 47,055
Office administration	11,359	17,440	7,251
Occupancy	21,108	82,681	6,500
Transportation	27,036	51,694	27,548
Community outreach	67,000	58,311	16,511
Youth and family activities	1,139	4,703	841
Care project	-	-	-
Inner city congregation	1,262	7,877	4,110
Development	2,357	1,700	877
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total expenditures</b>	<b>\$ 199,082</b>	<b>\$ 271,934</b>	<b>\$ 110,693</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Excess (deficit) of revenues over expenses</b>	<b>\$ 13,835</b>	<b>\$ (128,987)</b>	<b>\$ (23,853)</b>
	<u>          </u>	<u>          </u>	<u>          </u>

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

CHATTANOOGA	MURFREESBORO	NASHVILLE	ELIMINATIONS	COMBINED
\$ 194,495	\$ 145,257	\$ 702,989	\$ -	\$ 1,397,802
250	56,225	225,004	-	289,650
-	10,000	78,918	-	91,418
705	17,428	540,045	(178,609)	456,541
-	-	9,151	-	9,151
-	-	1,500	-	1,500
<u>\$ 195,450</u>	<u>\$ 228,910</u>	<u>\$ 1,557,607</u>	<u>\$ (178,609)</u>	<u>\$ 2,246,062</u>
\$ 3,239	\$ 54,915	\$ 167,485	\$ (12,000)	\$ 376,043
12,159	53,149	179,873	-	281,231
11,078	22,706	85,428	-	229,501
31,974	39,718	452,479	(166,399)	464,050
211,835	30,192	487,762	(210)	871,401
15,604	-	35,457	-	57,744
-	-	18,620	-	18,620
23,533	24,575	-	-	61,357
8,079	2,457	138,065	-	153,535
<u>\$ 317,501</u>	<u>\$ 227,712</u>	<u>\$ 1,565,169</u>	<u>\$ (178,609)</u>	<u>\$ 2,513,482</u>
<u>\$ (122,051)</u>	<u>\$ 1,198</u>	<u>\$ (7,562)</u>	<u>\$ -</u>	<u>\$ (267,420)</u>