# *Miriam's Promise*

(A Nonprofit Corporation)

## Financial Statements

**With Independent Accountant's Report Thereon**

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**H A Beasley & Company**
*Certified Public Accountants*
**Murfreesboro, Tennessee**

Member:
American Institute of CPAs
Tennessee Society of CPAs
Institute of Management Accountants

HAB

H A BEASLEY & COMPANY
*Certified Public Accountants*

237 W. Northfield Blvd.
First Place Bldg., Suite 102
Murfreesboro, TN 37129
Phone: (615) 895-5675
Fax: (615) 895-5660
E-Mail: HA@HABeasley.com
www.HABeasley.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Miriam's Promise
Nashville, TN

We have audited the accompanying statements of financial position of Miriam's Promise (a nonprofit organization) as of December 31, 2005 and 2004, 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 audit.

We conducted our audit 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 audit provides 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 Miriam's Promise as of December 31, 2005 and 2004, 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.

H A Beasley & Company CPAs
Murfreesboro, TN
July 21, 2006

## *MIRIAM'S PROMISE*
### *Statements of Financial Position*
### *December 31, 2005 and 2004*

| | 2005 | 2004 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 150,400 | $ 147,064 |
| Accounts receivable (net) | 27,770 | 20,224 |
| Prepaid expenses | - | 3,745 |
| Current Assets | 178,170 | 171,033 |
| Property and equipment | 21,564 | 21,370 |
| Less: Accumulated depreciation | (9,867) | (5,681) |
| Book value of property and equipment | 11,697 | 15,689 |
| Rent deposits | 3,500 | 3,500 |
| TOTAL ASSETS | 193,367 | 190,222 |
| **LIABILITIES** | | |
| Accounts Payable | 3,670 | 4,107 |
| Accrued Expenses | 18,042 | 17,449 |
| TOTAL LIABILITIES | 21,712 | 21,556 |
| **NET ASSETS** | | |
| **Unrestricted** | | |
| Undesignated | 121,655 | 118,666 |
| Designated | 50,000 | 50,000 |
| TOTAL NET ASSETS | 171,655 | 168,666 |
| TOTAL LIABILITIES AND NET ASSETS | $ 193,367 | $ 190,222 |

See accompanying notes and independent accountant's report.

# *MIRIAM'S PROMISE*

## *Statements of Activities*

### *Years ended December 31, 2005 and 2004*

| | 2005 | 2004 |
|---|---|---|
| **UNRESTRICTED NET ASSETS** | | |
| **Unrestriced revenues and support** | | |
| Grants | $ 12,500 | $ 34,300 |
| Donations | 191,329 | 159,733 |
| Program fees - adoption fees | 184,812 | 177,070 |
| Fund-raising | 154,025 | 130,128 |
| Other | 624 | 435 |
| Investment return | 1,342 | 782 |
| TOTAL UNRESTRICTED REVENUES AND SUPPORT | 544,632 | 502,448 |
| **Expenses** | | |
| Program Services | | |
| Adoption Services | 241,381 | 225,879 |
| Pregnancy Counseling | 110,530 | 101,907 |
| Supporting services | | |
| Management and general | 68,090 | 75,780 |
| Fund-raising | 121,642 | 131,115 |
| TOTAL EXPENSES | 541,643 | 534,681 |
| INCREASE IN UNRESTRICTED NET ASSETS | 2,989 | (32,233) |
| **INCREASE IN NET ASSETS** | 2,989 | (32,233) |
| Net Assets at Beginning of Year | 168,666 | 200,899 |
| **NET ASSETS AT END OF YEAR** | $ 171,655 | $ 168,666 |

See accompanying notes and independent accountant's report.

***MIRIAM'S PROMISE***
***Statements of Cash Flows***
***Years ended December 31, 2005 and 2004***

| | 2005 | 2004 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | $ 2,989 | $ (32,233) |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,186 | 3,968 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | (7,545) | (3,395) |
| Prepaid expenses | 3,745 | 2,510 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 155 | 5,673 |
| TOTAL ADJUSTMENTS | 541 | 8,756 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 3,530 | (23,477) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (194) | (3,951) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (194) | (3,951) |
| NET INCREASE (DECREASE) IN CASH | 3,336 | (27,428) |
| CASH AT THE BEGINNING OF PERIOD | 147,064 | 174,492 |
| CASH AT END OF PERIOD | $ 150,400 | $ 147,064 |

See accompanying notes and independent accountant's report.

**Miriam's Promise**
**Notes to Financial Statements**
**December 31, 2005**

## NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities
Miriam's Promise is a non-profit Tennessee corporation. The Organization was established as an independent entity on January 1, 2003 after spinning off from Holston Home for Children. The mission of the Organization is to counsel and assist pregnant women, birthparents and adoptive parents as they consider and plan for the well-being of children before, during, and after birth, and to conduct such other activities related to this Mission as should arise from time to time.

Basis of Accounting
The Organization records its transactions on the accrual basis of accounting throughout the year.

Allowance for doubtful accounts
An allowance for doubtful accounts is provided based on estimated collectibility of current receivables.

Contributed Services
During the year ended December 31, 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at their fund-raising activities, but these services do not meet the criteria for recognition as contributed services.

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
It is the Organization's policy to capitalize property and equipment at cost. Maintenance and ordinary repairs are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to 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 contributions. 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. Property and equipment are depreciated using the straight-line method.

Financial Statement Presentation
The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. The Organization also follows the provisions of SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Under these statements, the Organization is required to report information regarding its contributions, financial position and activities according to three

**Miriam's Promise**
**Notes to Financial Statements**
**December 31, 2005**

classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Restricted contributions whose restrictions are met in the period the contributions are received are reported as unrestricted contributions.

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

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the organization pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of such assets permit the organization to use all or part of the income earned on the assets. No permanently restricted net assets were held during 2005.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassification between the applicable classes of net assets.

Designated net assets are unrestricted funds the Organization's board has designated for the purpose of establishing an endowment fund. This fund differs from restricted fund in that the designation was made by the board of the Organization. Restricted funds operate under restrictions set by those outside the Organization's board, council or administration.

<u>Income Taxes</u>
The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

<u>Cash and Cash Equivalents</u>
For purposes of the statements of cash flows, the Organization considers funds held in the operational checking accounts and the savings accounts to be cash equivalents. From time to time, cash may be held in the investment account but is not considered to be cash equivalents.

## NOTE B—DESIGNATED FUNDS

In December 2003 the Organization's board of directors designated an amount of $50,000 as an endowment fund. Since this restriction is board-designated, compliance with Statement of Financial Accounting Standard (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*, requires that this fund be included in the unrestricted net assets section.

**Miriam's Promise**
**Notes to Financial Statements**
**December 31, 2005**

## NOTE C—PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

| | 2005 | 2004 |
|---|---|---|
| Furniture and equipment | $ 21,564 | 21,370 |
| Accumulated depreciation and amortization | (9,867) | (5,681) |
| | $ 11,697 | $15,689 |

The Organization has no formal fixed asset records prior to 2003. Assets have been presented at an estimated fair market value at the date transferred from Holston Home for Children. Depreciation of equipment is computed over a useful live of 5 years using the straight-line method of depreciation. Depreciation expense for 2005 and 2004 is $4,218 and $3,968.

## NOTE D – DESCRIPTION OF LEASING ARRANGEMENTS

The facility presently used to provide office space is leased under a twelve-month leasing agreement ending December 2005. This agreement calls for rent to be paid in the amount of $3,767 monthly. An option is available to renew the lease for a one-year term. The organization has renewed the lease on a month to month basis until the move to a new location is complete at the monthly rate of $3,950.

Three pieces of office equipment are leased with operating agreements of varying lengths. Only one of these agreements is a commitment beyond twelve months of the financial statement date. The future minimum rental payment schedule for this agreement is as follows:

| | | |
|---|---|---|
| 2006 | | $ 848 |
| 2007 | | 848 |
| 2008 | | 212 |
| | Total | $ 1,908 |

## NOTE E—CONCENTRATION OF RISK

The organization is highly dependent on revenues from adoption services as well as charitable contributions from United Methodist Church donors in the middle Tennessee area. If economic conditions worsen or culture changes occur in the service area these funding sources might decrease extensively and the organization would experience serious difficulty in continuing operations.