

BLAKEMORE UNITED METHODIST CHURCH

BLAKEMORE CHILDREN'S CENTER

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANTS' REPORT

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

BLAKEMORE UNITED METHODIST CHURCH  
BLAKEMORE CHILDREN'S CENTER  
NASHVILLE, TENNESSEE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT ACCOUNTANTS' REPORT  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT ACCOUNTANTS' REPORT</u> .....	1
 <u>FINANCIAL STATEMENTS</u>	
Statements of Assets, Liabilities and Net Assets (Modified Cash Basis).....	2
Statements of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) .....	3
Notes to Financial Statements .....	4 - 5



## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of Blakemore Children's Center  
of the Blakemore United Methodist Church  
Nashville, Tennessee

We have reviewed the accompanying statements of assets, liabilities and net assets (modified cash basis) of Blakemore Children's Center (the "Center"), a community service of the Blakemore United Methodist Church (the "Church"), as of June 30, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets (modified cash basis) for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Center.

A review consists principally of inquiries of Center personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As explained in Note 2, the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These financial statements are applicable to the Blakemore Children's Center only and do not include the accounts and operations of the other activities and programs of Blakemore United Methodist Church.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting described in Note 2.

*KraftCPAs PLLC*

Nashville, Tennessee  
December 30, 2005

BLAKEMORE UNITED METHODIST CHURCH

BLAKEMORE CHILDREN'S CENTER

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS (MODIFIED CASH BASIS)

JUNE 30, 2005 AND 2004

(SEE ACCOUNTANTS' REPORT)

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Cash	\$ 35,588	\$ 25,354
Reimbursement due from the Church	<u>1,073</u>	<u>-</u>
Total Assets	<u>\$ 36,661</u>	<u>\$ 25,354</u>
<u>Liabilities</u>		
Deposits held	\$ 400	\$ 400
Payroll withholdings	<u>490</u>	<u>2,115</u>
Total Liabilities	<u>890</u>	<u>2,515</u>
<u>Net Assets</u>		
Unrestricted	<u>35,771</u>	<u>22,839</u>
Total Liabilities and Net Assets	<u>\$ 36,661</u>	<u>\$ 25,354</u>

See accompanying notes to financial statements.

BLAKEMORE UNITED METHODIST CHURCH

BLAKEMORE CHILDREN'S CENTER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

(SEE ACCOUNTANTS' REPORT)

	<u>2005</u>	<u>2004</u>
SUPPORT AND REVENUE:		
Public Support:		
Tuition and other fees	\$ 213,692	\$ 194,483
Grant from United Way	7,552	-
Contributions and fundraiser	31,834	23,507
Interest income	39	26
Food reimbursement	<u>5,670</u>	<u>7,943</u>
TOTAL SUPPORT AND REVENUE	<u>258,787</u>	<u>225,959</u>
EXPENSES:		
Salaries and related payroll costs	188,720	157,723
Advertising	132	331
Contract labor	550	1,183
Dues and memberships	75	197
Enrichment	2,387	2,587
Food costs	15,384	14,400
Fundraising	5,889	5,505
Insurance	508	650
Licenses and permits	225	275
Maintenance payroll, supplies and repairs	8,733	10,885
Miscellaneous	47	60
Office supplies	1,473	2,041
Playground equipment and renovation	539	2,590
Professional fees	6,639	6,298
Staff development	1,687	2,455
Subscriptions and publications	209	110
Supplies	5,861	3,868
Telephone	1,511	1,544
Utilities	<u>5,286</u>	<u>6,025</u>
TOTAL EXPENSES	<u>245,855</u>	<u>218,727</u>
CHANGE IN NET ASSETS	12,932	7,232
NET ASSETS - BEGINNING OF YEAR	<u>22,839</u>	<u>15,607</u>
NET ASSETS - END OF YEAR	<u>\$ 35,771</u>	<u>\$ 22,839</u>

See accompanying notes to financial statements.

BLAKEMORE UNITED METHODIST CHURCH

BLAKEMORE CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

(SEE ACCOUNTANTS' REPORT)

NOTE 1 - GENERAL

Blakemore Children's Center (the "Center") is a community service of Blakemore United Methodist Church (the "Church"), that provides a loving, nurturing environment for child care and early childhood education. The Center, originally named The Mattye Jones Child Care Center, opened in August 1976. The Center's board of directors is comprised of six church members and five non-church members. The Church's pastor and the Center's executive director also serve in an ex-officio capacity on the board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements present the accounts and activity applicable to the Center only and do not include the other programs and activities of the Church. A summary of the significant accounting principles utilized in the preparation of these financial statements follows:

The accompanying financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Revenues are recognized generally as income when collected. Expenses are recognized when paid rather than when incurred, and equipment purchases are expensed instead of capitalized and depreciated over the estimated useful life of the asset. Deposits are recorded as a liability and recognized as revenue in the period to which the deposit applies. The modified cash basis differs from accounting principles generally accepted in the United States of America primarily because the effects of outstanding tuition, grant and contribution receivables, depreciable assets (equipment and furniture and fixtures), advance tuition payments and unpaid obligations or liabilities at the date of the financial statements are not recognized. In addition, expenses are not grouped by functional classification.

BLAKEMORE UNITED METHODIST CHURCH

BLAKEMORE CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

(SEE ACCOUNTANTS' REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and support

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

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of revenues, expenses and changes in net assets as net assets released from restrictions.

There were no temporarily or permanently restricted net assets as of June 30, 2005 and 2004.

Contributed facilities

The Church provides the building facilities for the Center to operate its programs. Accordingly, no occupancy cost has been recognized in these financial statements.

Revenues

The Center is funded principally by tuition fees. The Metropolitan Nashville Public Schools contracts with the Center to provide child care for children with special needs. Tuition assistance is also provided for several children by the Tennessee Department of Human Services and the Families First Welfare Program.

Reimbursement due from the Church

The Church and the Center outsource the payroll function to a service provider, which drafts the entire amount of payroll taxes out of the Center's checking account. The reimbursement due from the Church represents the Church's pro rata share of payroll taxes drafted out of the Center's bank account on June 30, 2005, and reimbursed by the Church in July 2005.

Income tax

The Center is exempt from income taxes under Internal Revenue Code Section 501(c)(3); accordingly, no provision for income taxes has been made in the accompanying financial statements.