

Miriam's Promise

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

For the Years Ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Miriam's Promise (a nonprofit organization) as of December 31, 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 audits 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 Miriam's Promise as of December 31, 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.

Dempsey Vantrease & Follis PLLC

Murfreesboro, Tennessee
June 21, 2012

Miriam's Promise

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Cash in banks	\$ 110,021	\$ 76,339
Accounts receivable (net allowance of \$4,265 for 2011 and 2010)	27,696	26,947
Pledges receivable	1,303	1,303
Prepaid expense	5,534	-
Property and equipment	<u>5,251</u>	<u>13,045</u>
Total Assets	<u><u>\$ 149,805</u></u>	<u><u>\$ 117,634</u></u>
 LIABILITIES		
Accounts payable and deferred revenue	\$ 30,998	\$ 22,467
Accrued expenses	<u>36,558</u>	<u>33,597</u>
Total Liabilities	67,556	56,064
 NET ASSETS		
Unrestricted	67,738	61,570
Temporarily restricted	<u>14,511</u>	<u>-</u>
	<u>82,249</u>	<u>61,570</u>
Total Liabilities and Net Assets	<u><u>\$ 149,805</u></u>	<u><u>\$ 117,634</u></u>

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2011 and 2010

	Unrestricted	Temporarily Restricted	Total 2011	2010
REVENUES AND SUPPORT				
Contributions	\$ 181,873	\$ -	\$ 181,873	\$ 174,133
Grants	11,484	14,511	25,995	37,530
Special event revenue	214,773	-	214,773	168,486
Program revenue- adoption related fees	200,814	-	200,814	173,135
Other	1,752	-	1,752	229
Total revenues	610,696	14,511	625,207	553,513
EXPENSES				
Program service				
Adoption expenses	302,756	-	302,756	285,546
Pregnancy counseling	100,114	-	100,114	103,484
Supporting expenses				
Management and general	93,119	-	93,119	76,414
Fundraising	93,039	-	93,039	102,001
Cost of direct benefits to donors	15,500	-	15,500	18,400
Total expenses	604,528	-	604,528	585,845
Increase(decrease) in Net Assets	6,168	14,511	20,679	(32,332)
Net Assets at Beginning of Year	61,570	-	61,570	93,902
Net Assets at End of Year	\$ 67,738	\$ 14,511	\$ 82,249	\$ 61,570

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 20,679	\$ (32,332)
To reconcile increase in net assets to net cash used in operating activities		
Depreciation	7,794	15,932
(Increase) decrease in:		
Accounts receivable	(749)	1,407
Pledges receivable	-	2,232
Increase (decrease) in:		
Prepaid expense	(5,534)	-
Accounts payable and accrued expenses	<u>11,492</u>	<u>12,525</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	33,682	(236)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment and improvements	<u>-</u>	<u>(71)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(71)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,682	(307)
Cash and cash equivalents, beginning of year	<u>76,339</u>	<u>76,646</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 110,021</u></u>	<u><u>\$ 76,339</u></u>

See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2011

	Program Services		Supporting Services			
	Adoption Services	Pregnancy Counseling	Management & General	Fundraising	Direct Benefit to Donors	Total
Salaries and wages	\$ 172,343	\$ 44,681	\$ 51,064	\$ 51,064	\$ -	\$ 319,152
Payroll taxes	14,414	3,737	4,271	4,271	-	26,693
Employee benefits	12,977	3,364	3,845	3,845	-	24,031
	<u>199,734</u>	<u>51,782</u>	<u>59,180</u>	<u>59,180</u>	<u>-</u>	<u>369,876</u>
Accreditation	8,400	-	-	-	-	8,400
Advertising	10,854	10,854	-	-	-	21,708
Bad debt	1,358	-	-	-	-	1,358
Bank charges	2,838	-	1,419	1,419	-	5,676
Conferences and events	-	-	-	19,133	15,500	34,633
Contract services	375	-	6,047	-	-	6,422
Depreciation expense	3,273	2,183	1,169	1,169	-	7,794
Dues and subscriptions	803	804	-	-	-	1,607
Equipment Rental	3,293	1,646	1,646	1,646	-	8,231
Family aid	-	3,304	-	-	-	3,304
Insurance	7,745	7,745	3,873	-	-	19,363
License and fees	321	-	-	-	-	321
Maintenance	6,351	4,233	2,269	2,269	-	15,122
Miscellaneous expense	288	288	578	287	-	1,442
Other	941	941	1,880	941	-	4,703
Postage and shipping	1,658	1,657	415	415	-	4,145
Printing and publications	2,874	2,874	718	718	-	7,184
Professional fees	28,229	-	7,930	-	-	36,159
Rent	9,030	6,020	3,225	3,225	-	21,500
Supplies	1,748	1,311	656	656	-	4,371
Telephone	2,877	1,918	1,027	1,027	-	6,849
Training	429	286	153	153	-	1,021
Travel and lodging	9,337	2,268	934	800	-	13,339
TOTAL EXPENSES	\$ 302,756	\$ 100,114	\$ 93,119	\$ 93,039	\$ 15,500	\$ 604,528

See accompanying notes to financial statement.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010

	Program Services		Supporting Services			Total
	Adoption Services	Pregnancy Counseling	Management & General	Fundraising	Direct Benefits to Donors	
Salaries and wages	\$ 168,522	\$ 49,932	\$ 37,449	\$ 56,174	-	\$ 312,077
Payroll taxes	13,425	3,978	2,983	4,475	-	24,861
Employee benefits	21,602	6,401	4,800	7,201	-	40,004
	<u>203,549</u>	<u>60,311</u>	<u>45,232</u>	<u>67,850</u>	<u>-</u>	<u>376,942</u>
Advertising	9,768	9,768	-	-	-	19,536
Bad debt	-	-	2,475	75	-	2,550
Bank charges	-	-	2,485	2,485	-	4,970
Special fundraising events	-	-	-	17,182	18,400	35,582
Contract services	231	231	462	-	-	924
Depreciation expense	3,983	3,983	5,576	2,390	-	15,932
Dues and subscriptions	623	623	-	-	-	1,246
Equipment rental	2,532	1,266	1,266	1,266	-	6,330
Family aid	-	3,691	-	-	-	3,691
Insurance	8,027	8,027	4,013	-	-	20,067
License and fees	350	-	-	-	-	350
Maintenance	3,126	1,563	1,563	1,563	-	7,815
Miscellaneous expense	937	936	1,876	936	-	4,685
Other	319	319	638	319	-	1,595
Postage and shipping	1,504	1,504	376	376	-	3,760
Printing and publications	460	460	920	460	-	2,300
Professional fees	24,590	-	4,382	-	-	28,972
Rent	10,949	3,244	2,433	3,650	-	20,276
Supplies	2,424	1,212	1,212	1,212	-	6,060
Telephone	2,780	1,390	1,390	1,390	-	6,950
Training	2,523	-	114	285	-	2,922
Travel and lodging	6,872	4,957	-	563	-	12,392
	<u>\$ 285,546</u>	<u>\$ 103,484</u>	<u>\$ 76,414</u>	<u>\$ 102,001</u>	<u>\$ 18,400</u>	<u>\$ 585,846</u>
TOTAL EXPENSES						

See accompanying notes to financial statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

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 prepares its financial statements on the accrual basis of accounting which recognizes revenues when earned and expenses as they are incurred.

Allowance for Doubtful Accounts

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

Contributed Services

During the year ended December 31, 2011 and 2010, 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 fundraising 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.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

**NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING
POLICIES(CONTINUED)**

Financial Statement Presentation

The Organization reports information regarding its contributions, financial position and activities according to three 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. Temporarily restricted assets were \$14,511 at the end of 2011 and \$-0- at the end of 2010.

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 2011 and 2010.

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.

Income Taxes

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. Accordingly, no provision for income taxes has been made in the accompanying financial statements. At December 31, 2011, the Organization's tax returns related to fiscal years ended December 31, 2008 through December 31, 2011 remain open to examination by tax authorities.

Cash and Cash Equivalents

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

Advertising

The costs of advertising are expenses as incurred.

NOTE B - PROMISES TO GIVE

The amount of promises to give outstanding as of December 31, 2011 and 2010 are \$1,303 and \$1,303 respectively. All promises to give are due within one year.

NOTE C - PROPERTY AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 34,942	\$ 34,942
Leasehold improvements	<u>66,304</u>	<u>66,304</u>
	101,246	101,246
Accumulated depreciation	<u>(95,995)</u>	<u>(88,201)</u>
	<u>\$ 5,251</u>	<u>\$ 13,045</u>

Property and equipment is valued at original cost except for assets transferred from Holston Home for Children prior to 2003. Those 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 of leasehold improvements is computed over a useful life of 5 years using the straight-line method because the office space is only guaranteed for a 5 year period. Depreciation expense for 2011 and 2010 is \$7,794 and \$15,932, respectively.

NOTE D - DESCRIPTION OF LEASING ARRANGEMENTS

The organization leases office space from the Tulip Street United Methodist Church for \$2,000 monthly. The new lease was finalized in 2011 in June and gives them the right to renew the lease annually. Total rental expense for the years ended December 31, 2011 and 2010 was \$21,500 and \$18,000 respectively.

NOTE E - CONCENTRATION OF RISK

The Organization is highly dependent on revenues from adoption services as well as charitable contributions from donors in the middle Tennessee area and is thus impacted by the local economic environment.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE F- RETIREMENT PLAN

The Organization sponsors a defined contribution IRC 403(b) plan for its employees. The plan covers substantially all employees. The Organization contributed \$20,975 and \$20,975 in 2011 and 2010, respectively, to the plan.

NOTE G – RESTRICTIONS ON NET ASSETS

As of December 31, 2011, the organization had the following temporarily restricted funds to be used for the following purposes:

Website design	\$ 2,750
Hague accreditation	4,100
Expecting the Best Program	<u>7,661</u>
	<u>\$ 14,511</u>

NOTE H - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 21, 2012, which is the date the financial statements were available to be issued. Based on the evaluation no significant subsequent events were noted.