



SALAMA URBAN MINISTRIES, INC.
Audited Financial Statements
and Supplemental Information
December 31, 2008 and 2007

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Independent Auditor's Report

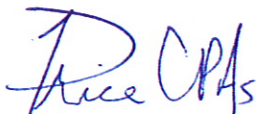
To the Board of Directors
Salama Urban Ministries, Inc.

We have audited the accompanying statements of financial position of Salama Urban Ministries, Inc. (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities 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 Salama Urban Ministries, Inc. as of December 31, 2008 and 2007 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 10 and 11, inclusive, 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 the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Price CPAs, PLLC
October 23, 2009

SALAMA URBAN MINISTRIES, INC.**Statements of Financial Position****December 31, 2008 and 2007****ASSETS**

	2008	2007
CURRENT ASSETS		
Cash	\$ 51,144	\$ 133,871
Restricted Cash	69,507	15,000
Investments	8,966	6,639
Other Receivable - Related Party	-	30,266
Other Current Assets	455	446
	<u>130,072</u>	<u>186,222</u>
PROPERTY, PLANT AND EQUIPMENT		
Leasehold Improvements	1,140,547	721,580
Equipment	190,297	188,266
Furniture and Fixtures	69,000	67,470
Vehicles	68,598	68,598
Costumes	16,174	16,174
Software	64,254	64,254
Accumulated Depreciation	(419,373)	(324,472)
	<u>1,129,497</u>	<u>801,870</u>
TOTAL ASSETS	<u>\$ 1,259,569</u>	<u>\$ 988,092</u>

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts Payable	\$ 26,181	\$ 21,918
Accounts Payable-Related Party	15,756	19,252
Line of Credit	-	20,000
	<u>41,937</u>	<u>61,170</u>

LONG-TERM LIABILITIES

Line of Credit	100,500	-
Note Payable, due after one year	421,125	-

Total Liabilities	563,562	61,170
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NET ASSETS

Unrestricted	626,500	911,922
Temporarily Restricted	69,507	15,000
	<u>696,007</u>	<u>926,922</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,259,569</u>	<u>\$ 988,092</u>
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See Independent Auditor's Report and Notes to Financial Statements

SALAMA URBAN MINISTRIES, INC.
Statements of Activities
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE		
Contributions	\$ 1,035,741	\$ 780,569
Interest Income	480	1,863
Net Assets Released from Restrictions	61,415	775,320
Total Unrestricted Revenues	<u>1,097,636</u>	<u>1,557,752</u>
EXPENSES		
Program	1,124,257	882,593
Administrative	203,787	369,825
Fundraising	55,014	37,043
Total Unrestricted Expenses	<u>1,383,058</u>	<u>1,289,461</u>
 Net Change in Unrestricted Net Assets	 (285,422)	 268,291
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	115,922	383,102
Net Assets Released from Donor Restrictions	(61,415)	(775,320)
 Net Change in Temporarily Restricted Net Assets	 <u>54,507</u>	 <u>(392,218)</u>
 Decrease in Net Assets	 (230,915)	 (123,927)
 NET ASSETS AT BEGINNING OF YEAR	 <u>926,922</u>	 <u>1,050,849</u>
 NET ASSETS AT END OF YEAR	 <u><u>\$ 696,007</u></u>	 <u><u>\$ 926,922</u></u>

See Independent Auditor's Report and Notes to Financial Statements

SALAMA URBAN MINISTRIES, INC.
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (230,915)	\$ (123,927)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	94,902	77,605
Gain on Sale of Property and Equipment	-	(2,045)
<i>Changes in Assets and Liabilities:</i>		
Other Receivable - Related Party	30,266	(26,266)
Other Current Assets	(9)	254
Other Assets	-	99,615
Accounts Payable	4,263	7,555
Accounts Payable-Related Party	(3,496)	8,413
Net Cash (Used) Provided by Operating Activities	<u>(104,989)</u>	<u>41,204</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,404)	(220,161)
Proceeds from Disposal of Property and Equipment	-	14,878
Purchase of Investments	(8,966)	(6,639)
Proceeds from Sale on Investments	6,639	155,433
Net Cash Used by Investing Activities	<u>(3,731)</u>	<u>(56,489)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	-	(30,000)
Proceeds from Line of Credit	100,500	20,000
Principal Payments on Line of Credit	(20,000)	(110,000)
Net Cash Provided (Used) by Financing Activities	<u>80,500</u>	<u>(120,000)</u>
Net Decrease in Cash	(28,220)	(135,285)
Cash at Beginning of Year	<u>148,871</u>	<u>284,156</u>
Cash at End of Year	<u><u>\$ 120,651</u></u>	<u><u>\$ 148,871</u></u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	<u><u>\$ 7,864</u></u>	<u><u>\$ 1,023</u></u>
Property acquired via promissory note	<u><u>\$ 421,125</u></u>	<u><u>\$ -</u></u>

See Independent Auditor's Report and Notes to Financial Statements

SALAMA URBAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2008 and 2007

Note 1 – Nature of Activities and Organization

For more than 20 years, Salama (Swahili for peace) (the Organization) has served Nashville families and youth through providing life-changing programs that both equip youth with skills needed for success in life and nurture lives of integrity and hope through the foundation of faith.

During 2007, the Organization established the Salama Institute, which is a program that develops value guided leaders through offering a year-round, five-day-per-week experience for youth Pre-K through grade twelve. The program focuses on skill development in the areas of academics, the arts and leadership, all from a faith-based perspective.

Note 2 – Significant Accounting Policies

Basis of Presentation and Net Assets

The financial statements of Salama Urban Ministries, Inc. are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in SFAS No. 116 “Accounting for Contributions Received and Contributions Made” and SFAS No. 117 “Financial Statements of Not-for-Profit Organizations.”

The financial statements are prepared in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit organizations. The Organization therefore reports information about its financial position and activities using three classes of net assets that recognize the existence and nature of restrictions on its net assets.

Unrestricted net assets represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the organization in accordance with the Articles of Incorporation and By-laws.

Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time.

Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. The Organization currently has no permanently restricted net assets.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

SALAMA URBAN MINISTRIES, INC.
Notes to Financial Statements (Continued)
December 31, 2008 and 2007

Note 2 – Significant Accounting Policies (Continued)

Tuition Revenues

Tuition revenue is recognized in the period in which the related educational instruction is performed. The average monthly enrollment of the Salama Institute averages approximately 75 students. Approximately 2% of instruction and administration expenses of the Institute are paid by tuition. The remaining costs are funded with contributions from various donors, and financial aid and tuition discounts from the Organization. Tuition revenues for the years ended December 31, 2008 and 2007 totaled \$13,238 and \$9,508, respectively.

Cash and Cash Equivalents

Cash equivalents consist of short-term highly liquid investments that are readily convertible into cash within ninety (90) days of purchase.

Property and Equipment

Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation expense for the years ended 2008 and 2007 was \$94,902 and \$77,605, respectively. Routine repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method and various accelerated methods over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Useful Life</u>
Buildings and Land Improvements	15 – 39 years
Furniture, Equipment and Vehicles	5 – 7 years
Software	3 years

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments approximate the carrying values of such amounts.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been presented on a functional basis in the Schedule of Functional Expenses as supplemental information. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Administrative and other support expenses are allocated to the various programs based on each program's operating expenses.

SALAMA URBAN MINISTRIES, INC.
Notes to Financial Statements (Continued)
December 31, 2008 and 2007

Note 2 – Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires 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.

Note 3 – Restricted Cash

Scholarship contributions are segregated into a restricted fund to be used for the benefit of selected employees of the Organization. Individuals covered by the scholarship fund may apply for reimbursement of a child's tuition and/or room and board expense as it is incurred or in arrears, as determined by the Board of Directors of the Organization. Restricted funds relating to the scholarship fund totaled \$69,507 and \$15,000 at December 31, 2008 and 2007, respectively (*See Note 7*).

Note 4 – Note Payable

During 2008, the Organization established an unsecured promissory note with Regions Bank in the amount of \$421,125, related to the purchase of real property, accruing interest at the bank's prime rate (3.25% at December 31, 2008). The principal balance, together with all accrued and unpaid interest, is due on September 19, 2011. Interest is paid monthly. At December 31, 2008, the balance outstanding is \$421,125.

Note 5 – Line of Credit

During 2007, the Organization entered into an unsecured line of credit agreement with a lending institution in the amount of \$100,000. The line of credit accrues interest at the prime rate of the lender plus 0.75% (4.00% and 8.00% as of December 31, 2008 and 2007, respectively). Interest is due monthly and the note matures October 19, 2010. There were borrowings on this line of credit of \$100,500 and \$20,000 as of December 31, 2008 and 2007, respectively.

Note 6 – Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts at regional financial institutions, which at times, may exceed the FDIC limit of \$100,000. The Organization has not experienced any losses in such accounts, therefore, management does not believe the Organization is exposed to any significant credit risk related to cash and cash equivalents.

The Organization's major source of revenue is derived from Christ Presbyterian Church (see Note 9), as well as from other individuals in the Nashville area.

SALAMA URBAN MINISTRIES, INC.
Notes to Financial Statements (Continued)
December 31, 2008 and 2007

Note 7 – Temporarily Restricted Net Assets

As of December 31, 2008 and 2007, temporarily restricted net assets consist of a scholarship fund in the amount of \$69,507 and \$15,000, respectively.

Note 8 – Building Lease

The Organization is a lessee regarding a non-cancelable operating lease agreement for real property. Rent expense totaled \$27,000 and \$36,000 for the years ended December 31, 2008 and 2007, respectively. The lease expired July 31, 2008.

Note 9 – Related Party Transactions

The Organization maintains a lease agreement with Christ Presbyterian Church, which owns the building occupied by the Organization. The rental agreement between the parties calls for annual rental payments by Salama Urban Ministries, Inc. of \$1 through 2012. All leasehold improvements are paid for by the Organization and are included in the balance sheet as "Leasehold Improvements."

The Organization receives contributions from Christ Presbyterian Church sufficient to cover the Organization's administrative payroll and related expenses. These amounts are recorded as unrestricted revenue and allocated accordingly among the program expenses. For the years ended December 31, 2008 and 2007, the amount of related party contributions totaled \$281,550 and \$284,694, respectively.

As of December 31, 2007, the Organization held a receivable from Christ Presbyterian Church in the amount of \$30,266, which is included in the Statement of Financial Position as "Other Receivable – Related Party." As of December 31, 2008, there was no such receivable.

As of December 31, 2008 and 2007, the Organization has a balance due to Christ Presbyterian Church in the amount of \$15,756 and \$19,252, respectively, which is included in the Statement of Financial Position as "Accounts Payable – Related Party."

Regarding the scholarship fund (See Notes 3 and 7), for the years ended December 31, 2008 and 2007, the Organization's Executive Director was the beneficiary of the scholarship funds totaling \$34,958 and \$25,000, respectively.

SALAMA URBAN MINISTRIES, INC.
Notes to Financial Statements (Continued)
December 31, 2008 and 2007

Note 10 – Restatement

During 2008, the Organization determined that the terms of a trust agreement for held property had been satisfied in the prior year, but the property had not been transferred from the Organization to the beneficiary. Accordingly, the Organization has restated other assets, administrative expenses and unrestricted net assets as of December 31, 2007, to include the effect on net assets in the previous year and to reflect the transfer of assets based on the trust agreement. The following financial statement line items as of and for the year ended December 31, 2007 were affected by this error correction.

	As Previously Stated	As Restated	Effect of Correction
<i>Statement of Financial Position at December 31, 2007</i>			
Other Assets	\$ 99,615	\$ -	\$ (99,615)
Unrestricted Net Assets	1,011,537	911,922	(99,615)
<i>Statement of Activities and Changes in Net Assets for the year ended December 31, 2007:</i>			
Administrative Expenses	\$ 270,210	\$ 369,825	\$ 99,615
Decrease in Net Assets	(24,312)	(123,927)	(99,615)



Supplemental Information
December 31, 2008

Salama Fellowship Urban Ministries, Inc.
Schedule of Functional Expenses
For the Year Ended December 31, 2008

	Program Services					Support	
	College	Family	Salama Institute	Community Productions & Events	Total Program	Admin & Facility	Fund Raising
Direct Expenses							
Salaries & Wages	\$ 317	\$ 105	\$ 412,362	\$ 1,178	\$ 413,962	\$ 60,608	\$ 12,132
Scholarships	39,730	-	764	-	40,494	-	-
Donations & Benevolence	45	10,539	150	-	10,734	540	-
Supplies & Curriculum	-	-	7,464	17,880	25,344	-	-
Activity	-	-	482	-	482	-	-
Refreshments	23	8	9,270	789	10,089	378	3,454
Payroll Taxes	24	8	27,153	90	27,276	1,675	192
Taxes and Licenses	172	57	2,843	565	3,637	191	-
Group Insurance	12	4	199	39	254	13	-
Insurance	156	52	3,806	512	4,526	174	-
Volunteer Expense	57	19	939	409	1,424	63	-
Transportation	950	314	53,680	3,114	58,058	1,056	-
Travel	393	130	6,483	10,602	17,607	436	-
Costume Company Expense	-	-	640	8,160	8,800	-	-
Telephone	181	60	2,982	592	3,815	201	-
Utilities	853	282	16,039	2,795	19,969	948	-
Hospitality	7	2	178	7,051	7,238	619	350
Special Events	-	-	4,889	-	4,889	-	1,002
Office Supplies	186	61	6,035	3,988	10,270	1,093	249
Staff Development	1,063	351	18,423	3,483	23,320	1,983	640
Development	225	74	3,713	737	4,750	250	-
Public Relations	177	58	2,913	579	3,726	1,690	-
Printing	432	143	7,237	1,415	9,226	1,784	2,421
Postage	63	21	1,069	232	1,386	1,170	1,016
Computer Expenses	157	52	2,767	515	3,491	1,559	-
Depreciation	4,271	1,411	70,477	13,998	90,157	4,745	-
Equipment Rental	6	2	97	459	564	3,211	-
Repairs and Maintenance	579	191	18,593	3,172	22,534	643	-
Miscellaneous Expenses	5	2,602	158	258	3,023	1,233	30
Service Groups	55	18	910	181	1,164	61	-
Dues and Subscriptions	42	14	840	136	1,032	724	388
Janitorial Supplies	582	192	9,616	1,907	12,297	646	-
Teacher Expenses	352	116	5,942	1,153	7,563	391	-
T-Shirts	-	-	1,981	3,336	5,317	-	-
Music	-	-	372	3,604	3,976	-	-

See Independent Auditor's Report

Salama Fellowship Urban Ministries, Inc.
Schedule of Functional Expenses (Continued)
For the Year Ended December 31, 2008

	Program Services					Support	
	College	Family	Salama Institute	Community Productions & Events	Total Program	Admin & Facility	Fund Raising
Direct Expenses (continued)							
Professional Fees	68	22	16,834	24,521	41,445	13,949	3,258
Professional Fees - Other	-	-	-	43,324	43,324	-	-
Promotion	-	-	-	-	-	1,962	-
Rent	1,215	401	20,979	3,982	26,578	1,350	800
Interest Expense	354	117	5,840	1,160	7,471	393	-
Total Direct Expenses	52,752	17,426	745,119	165,916	981,213	105,738	25,932
Indirect Expenses							
In-Kind Contributed Expenses	-	-	125,504	17,540	143,044	98,049	29,082
Total Expenses	\$52,752	\$17,426	\$ 870,623	\$ 183,456	\$1,124,257	\$ 203,787	\$ 55,014

See Independent Auditor's Report