



SALAMA URBAN MINISTRIES, INC.
Audited Financial Statements
and Supplemental Information
December 31, 2007 and 2006

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities.....	3
Statements of Cash Flows	4
Notes to the Financial Statements	5
Schedule of Functional Expenses	9



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, 2007 and 2006, 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, 2007 and 2006 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 9 and 10, 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 28, 2008

PRICE CPAs, PLLC

3825 Bedford Ave., Suite 202
P.O. Box 150749
Nashville, Tennessee 37215

Phone 615.385.0686
Fax 615.463.0586
www.pricecpas.com

*A member of the
American Institute of Certified
Public Accountants*

SALAMA URBAN MINISTRIES, INC.
Statements of Financial Position
December 31, 2007 and 2006

ASSETS			
	2007	2006	
CURRENT ASSETS			
Cash	\$ 133,871	\$ 284,156	
Restricted Cash	15,000	-	
Investments	6,639	155,433	
Other Receivable - Related Party	30,266	4,000	
Prepaid Expenses	446	700	
	<u>186,222</u>	<u>444,289</u>	
 PROPERTY, PLANT AND EQUIPMENT			
Leasehold Improvements	721,580	713,339	
Equipment	188,266	63,878	
Furniture and Fixtures	67,470	57,024	
Vehicles	68,598	68,598	
Costumes	16,174	16,175	
Software	64,254	-	
Accumulated Depreciation	<u>(324,472)</u>	<u>(246,867)</u>	
	801,870	672,147	
 OTHER ASSETS	<u>99,615</u>	<u>99,615</u>	
 TOTAL ASSETS	<u><u>\$ 1,087,707</u></u>	<u><u>\$ 1,216,051</u></u>	
 LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 21,918	\$ 14,363	
Accounts Payable-Related Party	19,252	10,839	
Line of Credit	20,000	110,000	
	<u>61,170</u>	<u>135,202</u>	
 LONG-TERM LIABILITIES			
Note Payable, due after one year	<u>-</u>	<u>30,000</u>	
 Total Liabilities	61,170	165,202	
 NET ASSETS			
Unrestricted	1,011,537	643,631	
Temporarily Restricted	15,000	407,218	
	<u>1,026,537</u>	<u>1,050,849</u>	
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,087,707</u></u>	<u><u>\$ 1,216,051</u></u>	

See Independent Auditor's Report and Notes to Financial Statements

SALAMA URBAN MINISTRIES, INC.
Statements of Activities
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE		
Contributions	\$ 780,569	\$ 641,779
Interest Income	1,863	1,971
Net Assets Released from Restrictions	<u>775,320</u>	<u>180,693</u>
Total Unrestricted Revenues	<u>1,557,752</u>	<u>824,443</u>
EXPENSES		
Program	882,593	557,235
Administrative	270,210	239,364
Fundraising	<u>37,043</u>	<u>18,142</u>
Total Unrestricted Expenses	<u>1,189,846</u>	<u>814,741</u>
 Net Increase in Unrestricted Net Assets	 367,906	 9,702
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	383,102	487,531
Net Assets Released from Donor Restrictions	<u>(775,320)</u>	<u>(180,693)</u>
Net Change in Temporarily Restricted Net Assets	<u>(392,218)</u>	<u>306,838</u>
 Change in Net Assets	 (24,312)	 316,540
 NET ASSETS AT BEGINNING OF YEAR	 <u>1,050,849</u>	 <u>734,309</u>
 NET ASSETS AT END OF YEAR	 <u><u>\$ 1,026,537</u></u>	 <u><u>\$ 1,050,849</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (24,312)	\$ 316,540
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation	77,605	39,639
Gain on Sale of Property and Equipment	(2,045)	-
<i>Changes in Assets and Liabilities:</i>		
Other Receivable - Related Party	(26,266)	(4,000)
Prepaid Expenses	254	(217)
Accounts Payable	7,555	(4,433)
Accounts Payable-Related Party	8,413	10,839
Net Cash Provided by Operating Activities	<u>41,204</u>	<u>358,368</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(220,161)	(23,434)
Proceeds from Disposal of Property and Equipment	14,878	-
Purchase of Investments	(6,639)	(155,433)
Proceeds from Sale on Investments	155,433	8,030
Net Cash Used by Investing Activities	<u>(56,489)</u>	<u>(170,837)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(30,000)	-
Proceeds from Line of Credit	20,000	-
Principal Payments on Line of Credit	(110,000)	(20,000)
Net Cash Used by Financing Activities	<u>(120,000)</u>	<u>(20,000)</u>
Net Change in Cash	(135,285)	167,531
Cash at Beginning of Year	<u>284,156</u>	<u>116,625</u>
Cash at End of Year	<u>\$ 148,871</u>	<u>\$ 284,156</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	<u>\$ 1,023</u>	<u>\$ 1,977</u>

See Independent Auditors' Report and Notes to Financial Statements

SALAMA URBAN MINISTRIES, INC.
Notes to Financial Statements
December 31, 2007 and 2006

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 a week experience for youth Pre-K through grade 12. 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, 2007 and 2006

Note 2 – Significant Accounting Policies (Continued)

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.

Investments

In accordance with SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Market values for investments are based on quoted market prices. Unrealized gains and losses are included in the statement of activities and changes in net assets as part of investment income.

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 2007 and 2006 was \$77,605 and \$39,639, 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, 2007 and 2006

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 to benefit selected employees of the Organization. Individuals covered by the scholarship fund may apply for reimbursement on 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 \$15,000 at December 31, 2007. There were no restricted funds at December 31, 2006.

Note 4 – Note Payable

The Organization had a \$30,000 promissory note with Regions Bank related to the purchase of real property, accruing interest at a fixed rate of 6.50%, with monthly interest payments due only. The note matures February 10, 2010 and is secured by real property. At December 31, 2007 and 2006, the balance was \$0 and \$30,000, respectively.

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%, which was 8.00% as of December 31, 2007. Interest is due monthly and the note matures October 19, 2010. There were borrowings on this line of credit of \$20,000 as of December 31, 2007.

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. Management does not believe the Organization is exposed to any significant credit risk on 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.

Note 7 – Temporarily Restricted Net Assets

As of December 31, 2007, temporarily restricted net assets consist of amounts restricted for use for scholarships of \$15,000. As of December 31, 2006, temporarily restricted net assets consist of amounts restricted for use for the Summer of Champions and Educational Ministries programs, and the Building for Excellence Capital Campaign of \$407,218.

SALAMA URBAN MINISTRIES, INC.
Notes to Financial Statements (Continued)
December 31, 2007 and 2006

Note 8 – Building Lease

The Organization has a non-cancelable operating lease agreement for real property. Rent expense totaled \$36,000 and \$15,000 for the years ended December 31, 2007 and 2006, respectively. The lease expires July 31, 2008.

Note 9 – Related Party Transactions

The Organization had a non-interest bearing line of credit with Christ Presbyterian Church in the amount of \$300,000. In January 2007, the line of credit was paid in full and closed. The balance due at December 31, 2006 was \$110,000.

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, 2007 and 2006, the amount of related party contributions totaled \$272,897 and \$265,750, respectively.

As of December 31, 2007 and 2006, the Organization has a receivable from Christ Presbyterian Church in the amount of \$30,266 and \$4,000, respectively, which is included in the Statement of Financial Position as "Other Receivable – Related Party."

As of December 31, 2007 and 2006, the Organization has a balance due to Christ Presbyterian Church in the amount of \$19,252 and \$10,839, respectively, which is included in the Statement of Financial Position as "Accounts Payable – Related Party."

The Organization established a scholarship fund during 2007. Scholarship contributions are segregated into a restricted fund to be used to benefit selected employees of the Organization. Individuals covered by the scholarship fund may apply for reimbursement on 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. During 2007, the sole beneficiary of the scholarship fund was the Organization's Executive Director (totaling \$25,000).

Note 10 – Subsequent Event

On September 19, 2008, the Organization entered into a promissory note agreement with Regions Bank in the amount of \$421,125. The note accrues interest, due monthly, based on the bank's prime rate (4.5% as of October 28, 2008). The principal balance, together with all accrued and unpaid interest, is due on September 19, 2010. On September 30, 2008, the proceeds from the promissory note were utilized to purchase a building adjacent to the Organization for \$415,000.



Supplemental Information
December 31, 2007

Salama Fellowship Urban Ministries, Inc.
Schedule of Functional Expenses
For the Year Ended December 31, 2007

	Children's Ministry	Program Services					Community			Support		
		College	Family	Salama Institute	Performing Arts Institute	Productions & Events	Community Services	Total Program	Administrative & Facility	Fund Raising		
Direct Expenses	\$ 32	\$ 126	\$ 56	\$ 312,850	\$ 151	\$ 479	\$ 3	\$ 313,697	\$ 17,253	\$ -		
Salaries & Wages	-	29,602	-	-	-	-	-	29,602	-	-		
Scholarships	-	535	11,243	-	-	-	-	11,778	74	-		
Donations & Benevolence	-	-	-	5,436	-	-	-	5,436	-	-		
Supplies & Curriculum	-	-	-	426	-	-	-	426	-	-		
Activity	-	-	-	-	-	-	-	-	-	-		
Refreshments	8	33	15	9,990	40	265	1	10,352	1,016	-		
Payroll Taxes	2	10	4	16,940	12	37	0	17,005	1,293	-		
Group Insurance	7	28	12	390	34	107	1	580	31	-		
Insurance	32	127	56	1,740	151	479	3	2,589	136	-		
Volunteer Expense	11	43	19	587	51	162	1	873	46	-		
Transportation	412	1,617	710	45,756	1,932	14,935	43	65,405	1,951	-		
Costume Company Expense	-	-	-	-	500	792	-	1,292	600	-		
Telephone	45	178	78	2,669	212	672	5	3,859	191	-		
Utilities	271	1,065	468	14,630	1,273	4,029	28	21,764	1,146	-		
Hospitality	8	33	15	457	40	5,458	1	6,012	511	114		
Office Supplies	83	325	143	11,288	388	3,398	659	16,284	1,038	341		
Staff Development	329	1,293	568	21,918	1,545	4,892	34	30,579	1,391	280		
Development	-	-	-	-	-	-	-	-	300	413		
Public Relations	-	-	-	-	-	-	-	-	10,865	160		
Set Up/Tear Down	-	-	-	-	-	11,520	-	11,520	-	-		
Printing	98	384	169	6,672	459	1,454	10	9,246	2,648	1,194		
Postage	31	120	53	1,704	143	453	3	2,507	1,036	2,435		
Computer Expenses	176	691	304	9,499	826	2,616	18	14,131	1,333	-		
Depreciation	919	3,607	1,585	49,559	4,311	13,648	96	73,725	3,880	-		
Equipment Rental	-	-	-	-	-	35,251	-	35,251	3,204	-		
Repairs and Maintenance	429	1,683	740	23,128	2,012	6,369	45	34,406	1,811	-		
Miscellaneous Expenses	22	88	2,039	1,281	104	957	2	4,494	7,451	-		
Dues and Subscriptions	-	-	-	-	-	1,435	-	1,435	1,474	-		
Pictures	-	-	-	333	-	154	-	487	-	-		
T-Shirts	-	-	-	4,119	-	1,482	-	5,601	-	-		
Field Trips	-	-	-	851	-	-	-	851	-	-		
Music	-	-	-	533	-	2,499	-	3,032	-	-		

See Independent Auditor's Report

Salama Fellowship Urban Ministries, Inc.
Schedule of Functional Expenses (Continued)
For the Year Ended December 31, 2007

	Children's Ministry	Program Services					Support			
		College	Family	Salama Institute	Performing Arts Institute	Community Productions & Events	Community Services	Total Program	Administrative & Facility	Fund Raising
Direct Expenses (continued)										
Professional Fees	18	73	32	19,182	87	9,434	2	28,827	78	523
Professional Fees - Other	-	-	-	-	-	20,800	150	20,950	5,215	-
Professional Services	-	-	-	-	-	6,680	-	6,680	-	-
Promotion	-	-	-	10,367	-	915	-	11,282	25	80
Rent	426	1,673	735	22,990	2,000	8,511	44	36,380	1,800	-
Interest Expense	12	48	21	653	57	180	1	972	51	-
Special Events	-	-	-	92	-	-	-	92	3,184	977
Total Direct Expenses	3,373	43,381	19,063	596,036	16,327	160,062	1,152	839,393	71,030	6,517
Indirect Expenses										
In-Kind Contributed Expenses	7,675	-	-	-	35,516	-	-	43,191	199,180	30,526
Total Expenses	\$ 11,048	\$ 43,381	\$ 19,063	\$ 596,036	\$ 51,843	\$ 160,062	\$ 1,152	\$ 882,584	\$ 270,210	\$ 37,043

See Independent Auditor's Report