

COMMUNITY CARE FELLOWSHIP, INC.

**FINANCIAL STATEMENTS -
MODIFIED CASH BASIS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2010 and 2009

COMMUNITY CARE FELLOWSHIP, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Community Care Fellowship, Inc.
Nashville, Tennessee

We have audited the accompanying statements of assets, liabilities and net assets-modified cash basis of Community Care Fellowship, Inc. (a nonprofit organization) as of December 31, 2010 and 2009 and the related statements of revenues, expenses and changes in net assets-modified cash basis 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 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 audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As more fully described in Note 1 to the financial statements, certain property is stated at management's estimate of value in the accompanying financial statements. Additionally, the Organization does not record depreciation on the property. In our opinion, all property and equipment acquisitions should be capitalized at historical cost and depreciated over their estimated useful lives to conform with the modified cash basis of accounting. The effects on the financial statements of the preceding practices are not reasonably determinable.

In our opinion, except for the effects of recording certain property at management's estimates of appraised value and the effects of not capitalizing and depreciating certain property and equipment, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Community Care Fellowship, Inc. as of December 31, 2010 and 2009, and its revenue, expenses and changes in net assets for the years then ended, on the basis of accounting described in Note 1.

Frasier, Dean & Howard, PLLC

July 26, 2011

COMMUNITY CARE FELLOWSHIP, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
December 31, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	\$ 114,187	\$ 69,282
Investments	109,321	115,886
Property and furnishings at estimated values (Note 3)	<u>1,286,000</u>	<u>1,286,000</u>
Total assets	<u><u>\$ 1,509,508</u></u>	<u><u>\$ 1,471,168</u></u>
Liabilities and Net Assets		
Accrued payroll liabilities	\$ 434	\$ 2,667
Note payable	<u>130,572</u>	<u>143,170</u>
Total liabilities	<u>131,006</u>	<u>145,837</u>
Net assets - unrestricted	1,298,502	1,220,331
Net assets - unrestricted, board designated	75,000	100,000
Net assets - permanently restricted	<u>5,000</u>	<u>5,000</u>
Total net assets	<u>1,378,502</u>	<u>1,325,331</u>
Total liabilities and net assets	<u><u>\$ 1,509,508</u></u>	<u><u>\$ 1,471,168</u></u>

See accompanying notes and independent auditor's report.

COMMUNITY CARE FELLOWSHIP, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:			
Contributions:			
Individuals	\$ 215,903	\$ -	\$ 215,903
Local churches	79,059	-	79,059
Church agencies	14,946	-	14,946
Organizations	4,194	-	4,194
Other	180	-	180
	<hr/>	<hr/>	<hr/>
Total contributions	314,282	-	314,282
Grants	30,527	-	30,527
Investment income, net	10,481	-	10,481
	<hr/>	<hr/>	<hr/>
Total public support and revenue	355,290	-	355,290
	<hr/>	<hr/>	<hr/>
Expenses:			
Salaries and benefits	135,080	-	135,080
Food and supplies	48,077	-	48,077
Utilities	33,266	-	33,266
Professional fees	18,450	-	18,450
Insurance	17,533	-	17,533
Housing expense	16,000	-	16,000
Repairs and maintenance	9,487	-	9,487
Interest expense	9,274	-	9,274
Postage and printing	7,008	-	7,008
Telephone	5,701	-	5,701
Other	2,243	-	2,243
	<hr/>	<hr/>	<hr/>
Total expenses	302,119	-	302,119
	<hr/>	<hr/>	<hr/>
Change in net assets	53,171	-	53,171
Net assets, beginning of year	1,320,331	5,000	1,325,331
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 1,373,502</u>	<u>\$ 5,000</u>	<u>\$ 1,378,502</u>

See accompanying notes and independent auditor's report.

COMMUNITY CARE FELLOWSHIP, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:			
Contributions:			
Individuals	\$ 107,631	\$ -	\$ 107,631
Local churches	88,407	-	88,407
25th Celebration	21,175	-	21,175
Church agencies	3,151	-	3,151
Other	871	-	871
	<hr/>	<hr/>	<hr/>
Total contributions	221,235	-	221,235
Grants	41,223	-	41,223
Investment income, net	20,389	-	20,389
	<hr/>	<hr/>	<hr/>
Total public support and revenue	282,847	-	282,847
	<hr/>	<hr/>	<hr/>
Expenses:			
Salaries and benefits	122,618	-	122,618
Food and supplies	49,565	-	49,565
Utilities	31,148	-	31,148
Insurance	20,690	-	20,690
Housing expense	15,981	-	15,981
Professional fees	12,035	-	12,035
Repairs and maintenance	11,752	-	11,752
Postage and printing	11,014	-	11,014
Interest expense	9,878	-	9,878
Telephone	5,234	-	5,234
Other	2,030	-	2,030
	<hr/>	<hr/>	<hr/>
Total expenses	291,945	-	291,945
	<hr/>	<hr/>	<hr/>
Change in net assets	(9,098)	-	(9,098)
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	1,329,429	5,000	1,334,429
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 1,320,331</u>	<u>\$ 5,000</u>	<u>\$ 1,325,331</u>

See accompanying notes and independent auditor's report.

COMMUNITY CARE FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Community Care Fellowship, Inc. (“CCF”) are as follows:

Organization

CCF is a non-profit organization formed to promote and coordinate urban mission and ministry in the Nashville District of the United Methodist Church. CCF is a ministry serving the homeless and near homeless in Nashville, Tennessee. Services provided through CCF include noon meals three days a week, facilities for showers and other personal hygiene services, laundry facilities, limited financial assistance, and counseling. The After School Project utilizes volunteer tutors from the Belle Meade Church.

CCF is operated out of the Nancy Webb Kelly United Methodist Church. Should CCF cease operations, all assets would revert to Nancy Webb Kelly United Methodist Church.

Basis of Accounting

CCF prepares its financial statements 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. Under the modified cash basis of accounting, support and revenue are recognized when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred. Modifications to the cash basis of accounting consist of the capitalization of property and equipment, recording investments at fair market value, recording the liability for a note payable and recording payroll related liabilities.

Financial Statement Presentation

CCF presents its financial statements in accordance with not-for-profit accounting guidelines. Under these guidelines, CCF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that can be fulfilled by actions of CCF pursuant to those restrictions or that expire by the passage of time. No temporarily restricted assets were held during the years ended December 31, 2010 and 2009.

Permanently Restricted – net assets subject to donor-imposed restrictions that they be maintained permanently by CCF. Generally donors of these assets may permit CCF to use all or part of the income earned for general or specific purposes.

COMMUNITY CARE FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

CCF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Furnishings

Property and furnishings with a useful life of more than one year or more are capitalized. Property and furnishings are stated either at historical cost or at management's estimate of value. CCF does not record depreciation on assets. The modified cash basis of accounting requires that depreciable assets be capitalized at historical cost and depreciated over their estimated useful lives. The effects of these departures from the modified cash basis of accounting are not reasonably determinable.

Fair Value

CCF has established a process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while CCF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of the fair value hierarchy under the guidance are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CCF has the ability to access. |
| Level 2 | Inputs to the valuation methodology include the following: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. |

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

COMMUNITY CARE FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value (Continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Restricted Endowment Funds

The Uniform Prudent Management Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the organization’s net asset classification of donor-restricted endowment funds, a description of the organization’s policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization’s endowment investment policies, and additional disclosures not previously required.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

CCF is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made in the financial statements.

NOTE 2 – INVESTMENTS

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

Nashville Area United Methodist Foundation funds – valued at the net asset value of shares of the United Methodist Foundation funds held by CCF at year-end. The net asset value is based on the fair value of the underlying investments of the fund, less a management fee.

Money market funds – valued by obtaining quoted market prices in active markets.

COMMUNITY CARE FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 2 – INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, CCF's investments at fair value as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Nashville Area United Methodist Foundation	\$ -	\$ 109,321	\$ -	\$ 109,321
Total	<u>\$ -</u>	<u>\$ 109,321</u>	<u>\$ -</u>	<u>\$ 109,321</u>

The following table sets forth by level, within the fair value hierarchy, CCF's investments at fair value as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 2,095	\$ -	\$ -	\$ 2,095
Nashville Area United Methodist Foundation	-	113,791	-	113,791
Total	<u>\$ 2,095</u>	<u>\$ 113,791</u>	<u>\$ -</u>	<u>\$ 115,886</u>

Investment income is comprised of the following at December 31:

	<u>2010</u>	<u>2009</u>
Realized and unrealized gains and losses	\$ 8,912	\$ 18,633
Interest	46	37
Dividends	<u>2,346</u>	<u>2,548</u>
	11,304	21,218
Less investment fees	<u>(823)</u>	<u>(829)</u>
Investment income, net	<u>\$ 10,481</u>	<u>\$ 20,389</u>

COMMUNITY CARE FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 3 – PROPERTY AND FURNISHINGS

Property and furnishings consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Buildings	\$ 1,107,000	\$ 1,107,000
Furnishings	<u>179,000</u>	<u>179,000</u>
	1,286,000	1,286,000
Less accumulated depreciation	<u>-</u>	<u>-</u>
	<u>\$ 1,286,000</u>	<u>\$ 1,286,000</u>

As discussed in Note 1, and consistent with its previous practices, CCF has recorded property and furnishings at management's estimate of value originally determined in 2005 for certain assets rather than at historical cost as required by the modified cash basis of accounting. Also, CCF has not recorded depreciation on its property and furnishings.

NOTE 4 – NOTE PAYABLE

Note payable consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Note payable to bank, interest at 6.75%, monthly principal and interest payments of \$1,823, remaining principal due February 2011, secured by the Deed of Trust.	<u>\$ 130,572</u>	<u>\$ 143,170</u>

Effective March 1, 2011, the note was amended to bear interest at a rate of 5.50%, with monthly principal and interest payments of \$1,823. The entire unpaid principal and all accrued interest is due February 2021. The note also allows the bank to change the interest rate every two years.

Scheduled maturities of the note payable after the March 2011 amendment are as follows for the years ending December 31:

2011	\$ 15,067
2012	15,917
2013	16,815
2014	17,764
2015	18,766
Thereafter	<u>46,243</u>
	<u>\$ 130,572</u>

COMMUNITY CARE FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 5 – IN-KIND DONATIONS

CCF receives donations in the form of volunteer services and supplies in providing its programs. No amounts have been reported in the financial statements as the financial statements are prepared on the modified cash basis of accounting. Volunteers donated approximately 4,600 hours to CCF's programs during each of the years ended December 31, 2010 and 2009, respectively. In addition, CCF received approximately \$31,000 and \$54,000 of donated supplies during the years ended December 31, 2010 and 2009, respectively.

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following endowment fund at December 31:

	<u>2010</u>	<u>2009</u>
Assets to be held for production of income:		
General endowment	\$ <u>5,000</u>	\$ <u>5,000</u>

The interest earned on permanently restricted net assets is available to CCF as described in Note 1.

CCF's endowment consists of donor restricted gifts held in investment accounts. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of CCF has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CCF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

2010 Endowment Net Asset Composition by Type of Fund as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,000</u>	\$ <u>5,000</u>

COMMUNITY CARE FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Changes in Endowment Net Assets for the fiscal year ended December 31, 2010:

Endowment net assets, beginning of year	\$ -	\$ -	\$ 5,000	\$ 5,000
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>

2009 Endowment Net Asset Composition by Type of Fund as of December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>

Changes in Endowment Net Assets for the fiscal year ended December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 5,000	\$ 5,000
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires CCF to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$0 as of December 31, 2010 and 2009.

COMMUNITY CARE FELLOWSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Endowment Investment Policy and Risk Parameters

CCF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period.

NOTE 7 – CONCENTRATIONS

CCF receives a substantial amount of its support from local churches and church agencies. A significant reduction in the level of contributions, if this were to occur, could have an adverse impact on CCF's programs and services. Occasionally, CCF maintains cash and cash equivalents in excess of federally insured limits.

NOTE 8 – KERN MEMORIAL PROPERTY FUND

The Nashville Area United Methodist Foundation maintains investments on behalf of the United Methodist Church, known as the Kern Memorial Property Fund (the "Fund"). The Fund was created from the sale of a church building. By action of the Tennessee Annual Conference of the United Methodist Church, CCF's Board of Directors was authorized as trustees of this Fund and is permitted to use monies earned by the \$200,000 corpus. As the United Methodist Church has ultimate authority and control over the investments, the net assets of CCF do not include these investments. In 2010, CCF's Board of Directors authorized a disbursement of \$10,000 out of the Kern Memorial Property Fund. This amount is included in grant revenue for 2010. No disbursement was made in 2009.

The balance of the Fund held for the benefit of CCF totaled approximately \$220,000 and \$208,000 at December 31, 2010 and 2009, respectively.

NOTE 9 – SUBSEQUENT EVENTS

CCF evaluated subsequent events through July 26, 2011, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of assets, liabilities and net assets – modified cash basis date but prior to the filing of this report that would have a material impact on the financial statements.