

Miriam's Promise

(A Nonprofit Corporation)

Financial Statements

With Independent Accountant's Report Thereon

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

H A Beasley & Company, PC
Certified Public Accountants
Murfreesboro, Tennessee



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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Miriam's Promise (a nonprofit organization) as of December 31, 2006 and 2005, 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 audit.

We conducted our audit 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 audit provides 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, 2006 and 2005, 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.



June 29, 2007

A Positive Difference Through Professional Accounting Service

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MIRIAM'S PROMISE
Statements of Financial Position
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash	\$ 97,122	\$ 150,400
Accounts receivable (net) (NOTE C)	31,248	27,770
Promises to give (NOTE D)	6,860	-
Prepaid expenses	4,335	-
Current Assets	<u>139,565</u>	<u>178,170</u>
Property and equipment	88,235	21,564
Less: Accumulated depreciation	<u>(20,788)</u>	<u>(9,867)</u>
Book value of property and equipment (NOTE E)	67,447	11,697
Rent deposits	-	3,500
TOTAL ASSETS	<u><u>207,012</u></u>	<u><u>193,367</u></u>
LIABILITIES		
Accounts payable	1,269	3,670
Accrued expenses	26,038	18,042
TOTAL LIABILITIES	<u>27,307</u>	<u>21,712</u>
NET ASSETS		
Unrestricted		
Undesignated	129,705	121,655
Designated (NOTE B)	50,000	50,000
TOTAL NET ASSETS	<u>179,705</u>	<u>171,655</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 207,012</u></u>	<u><u>\$ 193,367</u></u>

See accompanying notes and independent accountant's report.

MIRIAM'S PROMISE
Statements of Activities
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
UNRESTRICTED NET ASSETS		
Unrestricted revenues and support		
Grants	\$ 31,500	\$ 12,500
Donations	158,885	191,329
Program fees - adoption fees	218,719	184,812
Fundraising	153,735	154,025
Other	325	624
Interest income	1,297	1,342
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TOTAL UNRESTRICTED REVENUES AND SUPPORT	564,461	544,632
Expenses		
Program Services		
Adoption Services	227,276	241,381
Pregnancy Counseling	126,141	110,530
Supporting services		
Management and general	98,173	68,090
Fundraising	104,821	121,642
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TOTAL EXPENSES	556,411	541,643
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INCREASE IN UNRESTRICTED NET ASSETS	8,050	2,989
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INCREASE IN NET ASSETS	8,050	2,989
Net Assets at Beginning of Year	171,655	168,666
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NET ASSETS AT END OF YEAR	<u>\$ 179,705</u>	<u>\$ 171,655</u>

See accompanying notes and independent accountant's report.

MIRIAM'S PROMISE
Statements of Cash Flows
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 8,050	\$ 2,989
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,921	4,186
(Increase) decrease in operating assets:		
Accounts receivable	(3,478)	(7,545)
Promises to give	(6,860)	-
Prepaid expenses	(4,335)	3,745
Rent deposits	3,500	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	5,595	155
TOTAL ADJUSTMENTS	5,343	541
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	13,393	3,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,945)	(194)
Leasehold improvements	(63,726)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(66,671)	(194)
NET INCREASE (DECREASE) IN CASH	(53,278)	3,336
CASH AT THE BEGINNING OF PERIOD	150,400	147,064
CASH AT END OF PERIOD	<u>\$ 97,122</u>	<u>\$ 150,400</u>

See accompanying notes and independent accountant's report.

MIRIAM'S PROMISE
Statement of Functional Expenses
Year ended December 31, 2006

	Program Services		Supporting Services		Total
	Adoption Services	Pregnancy Counseling	Management & General	Fund- raising	
Compensation and related expenses					
Wages	\$ 136,465	\$ 52,922	\$ 40,042	\$ 35,143	\$ 264,572
Payroll taxes	13,576	5,264	3,985	3,495	26,320
Employee benefits	16,349	6,339	4,799	4,209	31,696
	<u>166,390</u>	<u>64,525</u>	<u>48,826</u>	<u>42,847</u>	<u>322,588</u>
Advertising	8,984	8,984			17,968
Conferences and events				44,208	44,208
Contract services		5,172			5,172
Family aid		23,702			23,702
License and fees			475		475
Depreciation and amortization			10,921		10,921
Dues and subscriptions			1,050		1,050
Equipment rental	2,294	1,510	1,087	1,147	6,038
Insurance	6,260	4,118	2,965	3,130	16,473
Rent	9,244	6,081	4,379	4,622	24,326
Utilities	1,520	1,000	720	760	4,000
Maintenance	1,758	1,156	833	879	
Professional services	12,972		4,845		17,817
Postage	1,369	901	649	685	3,604
Printing	1,613	1,061	764	807	4,245
Supplies	3,501	449	4,756	50	8,756
Telephone	3,078	2,025	1,458	1,539	8,100
Training	2,386	1,570	1,130	1,193	6,279
Travel and lodging	5,907	3,887	2,798	2,954	15,546
Bank charges			2,155		2,155
Building move			4,862		4,862
Other			3,500		3,500
	<u>\$ 227,276</u>	<u>\$ 126,141</u>	<u>\$ 98,173</u>	<u>\$ 104,821</u>	<u>\$ 556,411</u>

See accompanying notes and independent accountant's report.

MIRIAM'S PROMISE**Statement of Functional Expenses****Year ended December 31, 2005**

	Program Services		Supporting Services		Total
	Adoption Services	Pregnancy Counseling	Management & General	Fund-raising	
Compensation and related expenses					
Wages	\$ 136,064	\$ 50,023	\$ 31,918	\$ 31,533	\$ 249,538
Payroll taxes	10,344	3,803	2,426	2,398	18,971
Employee benefits	18,241	6,707	4,279	4,228	33,455
	<u>164,649</u>	<u>60,533</u>	<u>38,623</u>	<u>38,159</u>	<u>301,964</u>
Advertising	9,265	9,265			18,530
Conferences and events	985			40,188	41,173
Contract services	85			23,197	23,282
Family aid		11,293			11,293
License and fees	701				701
Depreciation and amortization			4,218		4,218
Dues and subscriptions	618		169		787
Equipment rental	1,874	1,233	888	937	4,932
Insurance	7,618	5,012	3,609	3,809	20,048
Rent	17,178	11,301	8,137	8,589	45,205
Utilities	2,743	1,805	1,299	1,371	7,218
Maintenance	2,284	1,503	1,082	1,142	6,011
Professional services	16,186		4,763		20,949
Postage	1,390	915	659	695	3,659
Printing	1,319	868	625	660	3,472
Supplies	2,971	2,275	2,453		7,699
Telephone	1,980	1,303	938	990	5,211
Training	-				-
Travel and lodging	9,537	3,228		1,908	14,673
Other			626		626
	<u>\$ 241,383</u>	<u>\$ 110,534</u>	<u>\$ 68,089</u>	<u>\$ 121,645</u>	<u>\$ 541,651</u>

See accompanying notes and independent accountant's report.

Miriam's Promise
Notes to Financial Statements
December 31, 2006 and 2005

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 records its transactions on the accrual basis of accounting throughout the year.

Allowance for doubtful accounts

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

Contributed Services

During the year ended December 31, 2006 and 2005, 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 fund-raising 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. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Miriam's Promise
Notes to Financial Statements
December 31, 2006 and 2005

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. The Organization also follows the provisions of SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Under these statements, the Organization is required to report 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.

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 2006 and 2005.

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.

Designated net assets are unrestricted funds the Organization's board has designated for the purpose of establishing an endowment fund. This fund differs from restricted fund in that the designation was made by the board of the Organization. Restricted funds operate under restrictions set by those outside the Organization's board, council or administration.

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.

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.

Miriam's Promise
Notes to Financial Statements
December 31, 2006 and 2005

NOTE B—DESIGNATED FUNDS

In December 2003 the Organization's board of directors designated an amount of \$50,000 as an endowment fund. Since this restriction is board-designated, compliance with Statement of Financial Accounting Standard (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*, requires that this fund be included in the unrestricted net assets section.

NOTE C—ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of December 31:

	<u>2006</u>	<u>2005</u>
Accounts receivable	\$ 33,033	\$ 29,555
Allowance for doubtful accounts	<u>(1,785)</u>	<u>(1,785)</u>
	<u>\$ 31,248</u>	<u>\$ 27,770</u>

NOTE D—PROMISES TO GIVE

The organization received promises to give during the year totaling \$8,985. The amount still outstanding as of December 31, 2006 is \$6,860. All promises to give are due within one year. Uncollectible promises are expected to be insignificant.

NOTE E—PROPERTY AND EQUIPMENT

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

	<u>2006</u>	<u>2005</u>
Furniture and equipment	\$ 24,509	\$ 21,564
Leasehold improvements	63,726	0
Accumulated depreciation and amortization	<u>(20,788)</u>	<u>(9,867)</u>
	<u>\$ 67,447</u>	<u>\$ 11,697</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 2006 and 2005 is \$10,921 and \$4,218.

Miriam's Promise
Notes to Financial Statements
December 31, 2006 and 2005

NOTE F – DESCRIPTION OF LEASING ARRANGEMENTS

The organization was under a month to month lease for office space until April 15, 2006 at a monthly rate of \$3,950. The organization leases office space from the Tulip Street United Methodist Church for \$1,500 monthly. They are not obligated under a long term lease with Tulip Street United Methodist Church. However they have a verbal agreement to occupy the space for a minimum of five years from April 15, 2006. Total rental expense for the year ended December 31, 2006 and 2005 was \$24,325 and \$45,205 respectively.

Three pieces of office equipment are leased with operating agreements of varying lengths. The future minimum rental payment schedule for the various agreements is as follows:

2007	1,820
2008	1,184
2009	972
2010	972
2011	<u>972</u>
Total	\$ <u>5,920</u>

NOTE G—CONCENTRATION OF RISK

The organization is highly dependent on revenues from adoption services as well as charitable contributions from United Methodist Church donors in the middle Tennessee area. If economic conditions worsen or culture changes occur in the service area these funding sources might decrease extensively and the organization would experience serious difficulty in continuing operations.