



**SALAMA URBAN MINISTRIES, INC.**  
**Audited Financial Statements**  
**and Supplemental Information**  
**December 31, 2005 and 2004**

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## **Independent Auditors' Report**

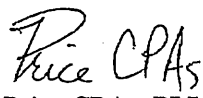
To the Board of Directors  
Salama Urban Ministries, Inc.

We have audited the accompanying statements of financial position of Salama Urban Ministries, Inc. (a nonprofit organization) as of December 31, 2005 and 2004, 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, 2005 and 2004 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 audit was 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  
May 9, 2006

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**SALAMA URBAN MINISTRIES, INC.****Statements of Financial Position****December 31, 2005 and 2004****ASSETS**

	<u>2005</u>	<u>2004</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 116,625	\$ 82,274
Other Receivable	8,030	5,000
Prepaid Expenses	484	498
	<u>125,139</u>	<u>87,772</u>
 <b>PROPERTY, PLANT AND EQUIPMENT</b>		
Leasehold Improvements	709,792	709,792
Equipment	55,010	48,993
Furniture and Fixtures	46,304	33,894
Vehicles	68,598	51,808
Costumes	16,175	16,175
Accumulated Depreciation	(207,528)	(172,880)
	<u>688,351</u>	<u>687,782</u>
 <b>OTHER ASSETS</b>	<u>99,615</u>	<u>99,615</u>
 <b>TOTAL ASSETS</b>	<u>\$ 913,105</u>	<u>\$ 875,169</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 18,796	\$ 13,922
Line of Credit	130,000	150,000
	<u>148,796</u>	<u>163,922</u>
 <b>LONG-TERM LIABILITIES</b>		
Note Payable, due after one year	<u>30,000</u>	<u>30,000</u>
 <b>Total Liabilities</b>	178,796	193,922
 <b>NET ASSETS</b>		
Unrestricted	633,929	583,527
Temporarily Restricted	100,380	97,720
	<u>734,309</u> ✓	<u>681,247</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 913,105</u>	<u>\$ 875,169</u>

See Independent Auditors' Report and Notes to Financial Statements

**SALAMA URBAN MINISTRIES, INC.**  
**Statements of Activities**  
**For the Years Ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>REVENUE</b>		
Contributions	\$ 550,735	\$ 529,538
Interest Income	641	238
Net Assets Released from Restrictions	182,327	154,838
<b>Total Unrestricted Revenues</b>	<u>733,703</u>	<u>684,614</u>
<b>EXPENSES</b>		
Program	482,371	436,988
Administrative	200,280	187,858
Fundraising	650	6,577
<b>Total Unrestricted Expenses</b>	<u>683,301</u>	<u>631,423</u>
<b>Net Increase in Unrestricted Net Assets</b>	50,402	53,191
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	184,987	110,650
Net Assets Released from Donor Restrictions	(182,327)	(154,838)
<b>Net Change In Temporarily Restricted Net Assets</b>	<u>2,660</u>	<u>(44,188)</u>
<b>Increase in Net Assets</b>	53,062	9,003
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>681,247</u>	<u>672,244</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 734,309</u></u>	<u><u>\$ 681,247</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**SALAMA URBAN MINISTRIES, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 53,062	\$ 9,003
<b>Adjustments to Reconcile Net Assets to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Depreciation	34,648	38,500
Contributions of Property and Equipment	(16,790)	-
<b>Changes in Assets and Liabilities:</b>		
Increase in Other Receivable	(3,030)	-
Decrease in Prepaid Expenses	14	147
Increase (Decrease) in Accounts Payable	4,874	(30,661)
<b>Net Cash Provided by Operating Activities</b>	<u>72,778</u>	<u>16,989</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(18,427)	(18,027)
Purchase of Investments	-	(5,000)
Proceeds from Sale on Investments	-	5,678
<b>Net Cash Used by Investing Activities</b>	<u>(18,427)</u>	<u>(17,349)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Notes Payable	-	(55,000)
Principal Payments on Line of Credit	(20,000)	(5,000)
<b>Net Cash Used by Financing Activities</b>	<u>(20,000)</u>	<u>(60,000)</u>
<b>Net Change in Cash</b>	34,351	(60,360)
Cash at Beginning of Year	<u>82,274</u>	<u>142,634</u>
<b>Cash at End of Year</b>	<u>\$ 116,625</u>	<u>\$ 82,274</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
<b>Non-cash investing and financing activities</b>		
Property and equipment aquired via contribution	<u>\$ 16,790</u>	<u>\$ -</u>
<b>Cash paid for interest</b>	<u>\$ 4,023</u>	<u>\$ 13,680</u>

See Independent Auditors' Report and Notes to Financial Statements

**SALAMA URBAN MINISTRIES, INC.**  
**Notes to Financial Statements**  
**December 31, 2005 and 2004**

**Note 1 – Nature of Activities and Organization**

Salama Urban Ministries, Inc. (the “Organization”) is a community-based, church-sponsored youth organization, located in the Edgehill Community in Nashville, Tennessee, which develops and nurtures Judeo-Christian family values and discipleship. Edgehill youth and their families are instructed and encouraged to embrace Christ-honoring lifestyles and to pursue training and education to prepare for the future. The purpose of this training and education is to equip them to become productive citizens and future leaders in the Edgehill Community and in any community in the world. The Organization serves as a support system for the youth and assists them in developing self-confidence, self-esteem and ultimately self-sufficiency in Christ Jesus.

**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 principals 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, 2005 and 2004**

**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.

**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 2005 and 2004 was \$34,648 and \$38,500, 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

**Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**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.

**Use of 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.



**SALAMA URBAN MINISTRIES, INC.**  
**Notes to Financial Statements (continued)**  
**December 31, 2005 and 2004**

**Note 3 – Note Payable**

The Organization had an \$85,000 promissory note with AmSouth Bank related to the purchase of real property (see Note 7), accruing interest at a fixed rate of 4.75%, with quarterly interest payments due only. The note matured May 26, 2004. At December 31, 2004 the balance was \$30,000. On February 10, 2005, the Organization renegotiated the promissory note with AmSouth Bank. The note has an original principal amount of \$30,000, accruing interest at a fixed rate of 6.5%, with monthly interest payments due only. The note will mature on February 10, 2010, and is secured by real property. At December 31, 2005 the balance was \$30,000.

**Note 4 – Concentration of Credit Risk**

The Federal Depository Insurance Corporation insures deposits at financial institutions up to \$100,000. The Organization maintains balances at regional financial institutions that may, at times exceed these federally insured limits. At December 31, 2005 and 2004, balances did not exceed the federally insured limit.

The Organization's major source of revenue is derived from Christ Presbyterian Church (see Note 6), as well as from other individuals in the Nashville area.

**Note 5 – Temporarily Restricted Net Assets**

As of December 31, 2005 and 2004, 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 \$100,380 and \$97,720, respectively.

**Note 6 – Related Party Transactions**

The Organization maintains a line of credit with Christ Presbyterian Church in the amount of \$300,000. The line of credit accrues interest at rate of 6.75% and expires December 31, 2006. The balance due at December 31, 2005 and 2004 was \$130,000 and \$150,000, respectively.

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, 2005 and 2004, the amount of related party contributions totaled \$274,121 and \$258,082, respectively.

The Organization purchased real property during 2003 for the benefit of Christ Presbyterian Church (see Notes 3 and 7).

**SALAMA URBAN MINISTRIES, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2005 and 2004**

**Note 7 – Commitment**

The Organization acquired real property at a cost of \$99,615 via a loan from AmSouth Bank in the amount of \$85,000 (see Note 3). The property is reflected in the accompanying balance sheet as "Other Assets." The property is to be held by a Trustee until the note has been paid in full, at which time the Trustee will assign all title and interest in the real property to Christ Presbyterian Church, with no monetary consideration to be paid by Christ Presbyterian Church.



**Supplemental Information**  
**December 31, 2005**

Salama Fellowship Urban Ministries, Inc.  
Schedule of Functional Expenses  
For the Year Ended December 31, 2005

Program Services												Support	
Children's Institute	Youth Ministry	College	Family	Champions Performing Arts	Summer of Champions	Summer of Champions Enhancement	Performing Arts Institute	Community Productions & Events	Community Services	Costume Company	Total Program	Administrative & Facility	Fund Raising
\$ -	\$ 5,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,898	\$ -	\$ -	\$ -	\$ 20,111	\$ 32,787	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	1,298	8,976	-	-	-	-	-	400	-	10,674	-	-
70	1,794	-	-	1,976	3,829	2,614	651	1,635	-	426	15,958	-	-
-	1,853	-	-	-	-	-	85	-	-	-	1,971	-	-
-	1,781	-	-	1,776	104	887	1,724	2,442	-	-	8,855	-	-
-	447	-	-	-	-	-	834	-	-	-	1,539	1,034	-
40	557	16	109	746	461	421	763	373	55	5	4,255	224	-
15	209	6	41	280	173	158	287	140	20	2	1,599	84	-
14	198	6	39	265	164	150	271	132	19	2	1,512	80	-
-	-	-	-	-	-	6,937	-	-	-	-	6,937	-	-
-	-	-	-	-	-	-	-	-	-	-	1,342	-	-
-	-	-	-	-	-	-	-	-	-	-	1,562	-	-
103	-	-	-	-	-	-	-	-	-	-	103	-	-
-	-	-	-	-	-	-	-	-	-	-	100	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	214	6	42	307	330	277	293	143	21	2	2,448	86	-
162	2,284	64	446	3,666	2,375	3,787	3,511	13,596	1,509	21	34,326	918	-
-	-	-	-	273	-	-	162	19	-	-	454	-	-
37	519	15	101	694	429	392	710	347	50	4	3,958	208	-
147	2,064	58	403	2,764	1,707	1,561	2,827	1,380	202	19	15,758	829	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	927	26	181	1,241	766	701	1,269	620	91	8	7,075	372	-
53	743	21	145	994	614	561	1,017	496	73	7	5,668	298	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	5,339	60	-	-	-	-	-	5,399	-	650
38	540	15	105	724	447	409	740	361	53	5	4,124	217	-
45	636	18	124	852	526	481	871	425	62	6	4,855	256	-
39	549	15	107	734	454	415	751	367	54	4	4,187	220	-
307	4,312	122	842	5,774	3,566	3,260	5,905	2,883	422	38	32,916	1,732	-
30	424	12	83	4,382	351	321	581	1,129	41	3	7,896	170	-
156	2,192	62	428	2,935	1,812	1,657	3,001	1,465	214	20	16,730	881	-

Supplemental Information

Salama Fellowship Urban Ministries, Inc.  
Schedule of Functional Expenses  
For the Year Ended December 31, 2005

Program Services												Support	
Children's Institute	Youth Ministry	College	Family	Champions Performing Arts	Summer of Champions	Summer of Champions Enhancement	Performing Arts Institute	Community Productions & Events	Community Services	Costume Company	Total Program	Administrative & Facility	Fund Raising
-	245	-	-	37	131	267	325	58	-	-	1,083	2,069	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	545	-	545	-	-
-	-	-	-	-	-	-	-	-	-	-	-	1,069	-
-	-	-	-	89	256	60	-	-	-	-	405	-	-
-	-	-	-	2,083	42	155	-	-	-	-	2,280	-	-
-	-	-	-	910	487	980	-	-	-	-	2,377	-	-
-	-	-	-	-	473	295	-	-	-	-	768	-	-
-	-	-	-	-	192	-	-	-	-	-	192	-	-
-	-	-	-	1,210	-	-	309	(13)	-	-	1,506	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,950	2,101	-	-	8,953	31,610	20,190	5,805	850	-	-	72,459	10,091	-
-	-	-	-	34,435	-	-	7,640	11,165	-	-	53,240	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	55	208	208	50	880	-	-	1,401	5,699	-
24	332	9	65	445	275	251	455	1,022	33	4	3,338	134	-
36	501	14	98	670	414	379	686	335	49	3	3,822	201	-
-	-	-	-	-	-	-	-	-	2,269	-	2,269	-	-
148	-	-	-	-	-	-	-	-	-	-	148	-	-
4,494	31,268	1,783	12,333	84,609	52,255	47,772	52,421	42,251	6,182	578	368,145	59,660	650
-	31,928	-	-	-	-	-	34,113	-	-	-	114,226	140,620	-
<u>\$ 4,494</u>	<u>\$63,196</u>	<u>\$ 1,783</u>	<u>\$12,333</u>	<u>\$ 84,609</u>	<u>\$ 52,255</u>	<u>\$ 47,772</u>	<u>\$ 86,534</u>	<u>\$ 42,251</u>	<u>\$ 6,182</u>	<u>\$ 578</u>	<u>\$ 482,371</u>	<u>\$ 200,280</u>	<u>\$ 650</u>