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THE CAMPUS FOR HUMAN DEVELOPMENT

FINANCIAL STATEMENTS

June 30, 2006

THE CAMPUS FOR HUMAN DEVELOPMENT

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FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7894

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Campus for Human Development
Nashville, Tennessee

We have audited the accompanying statement of financial position of The Campus for Human Development (a nonprofit organization) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 The Campus for Human Development as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2007, on our consideration of The Campus for Human Development's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Frasier, Deen & Howard PLLC

June 20, 2007

THE CAMPUS FOR HUMAN DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
June 30, 2006

ASSETS

Cash and cash equivalents	\$ 873,555
Contract and grants receivable	410,898
Other	<u>916</u>
Total current assets	1,285,369
Land, building and equipment, net	<u>561,616</u>
Total assets	<u><u>\$ 1,846,985</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 57,366</u>
Total current liabilities	<u>57,366</u>
Net assets:	
Unrestricted	1,781,591
Temporarily restricted	<u>8,028</u>
Total net assets	<u>1,789,619</u>
Total liabilities and net assets	<u><u>\$ 1,846,985</u></u>

See accompanying notes.

THE CAMPUS FOR HUMAN DEVELOPMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Unrestricted net assets:

Revenue:

Grants and contracts	\$1,334,191
Contributions	562,227
In-kind contributions	246,492
Fundraising events	7,940
Other	36,191
Net assets released from restriction	<u>142,828</u>

Total revenue	<u>2,329,869</u>
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Disbursements:

Program services	1,770,378
Supporting services	<u>127,151</u>

Total disbursements	<u>1,897,529</u>
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Losses:

Provision for loss on uncollectible contributions	<u>51,757</u>
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Increase in unrestricted net assets	380,583
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Temporarily restricted net assets:

Net assets released from restriction	(142,828)
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Permanently restricted net assets:

Net assets contributed to Community Foundation	<u>(12,367)</u>
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Increase in net assets	225,388
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Net assets at beginning of year	<u>1,564,231</u>
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Net assets at end of year	<u><u>\$1,789,619</u></u>
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See accompanying notes.

THE CAMPUS FOR HUMAN DEVELOPMENT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2006

	Program Services						Supporting Services				Total
	Guest House	Day Center	Respite	Veterans	Room in the Inn	Case Management	Total	Management and General	Fundraising	Total	
Salaries and related expenses	\$ 223,139	\$ 164,587	\$ 46,957	\$ 94,867	\$ 58,563	\$ 277,990	\$ 866,103	\$ 97,033	\$ -	\$ 97,033	\$ 963,136
Food (including \$131,509 in-kind)	150,841	82	2,001	10,548	-	4,591	168,063	-	-	-	168,063
Grant recipient expense	-	-	-	-	-	125,967	125,967	-	-	-	125,967
Utilities	22,711	36,201	2,482	8,655	4,344	19,137	93,530	6,110	-	6,110	99,640
Depreciation	66,872	-	-	22,291	-	-	89,163	-	-	-	89,163
Insurance	22,865	10,664	7,246	6,680	8,311	13,908	69,674	2,774	-	2,774	72,448
Program materials	38,007	4,625	46	932	1,297	13,777	58,684	-	-	-	58,684
Maintenance and security	12,418	20,020	1,485	8,061	5,370	8,881	56,235	26	-	26	56,261
Rent expense in-kind	48,000	-	-	-	-	-	48,000	-	-	-	48,000
Supplies	7,339	7,062	733	2,355	1,555	15,328	34,372	-	1,282	1,282	35,654
Housing costs	-	11,925	-	-	-	14,074	25,999	-	-	-	25,999
Laundry in-kind	19,089	14,759	1,807	7,976	4,932	14,090	62,653	-	-	-	62,653
Transportation	5,458	4,818	40	1,065	-	10,492	21,873	-	-	-	21,873
Professional fees	4,447	3,409	443	1,927	1,226	3,408	14,860	-	-	-	14,860
Printing	-	-	-	-	-	-	-	-	12,517	12,517	12,517
Office equipment maintenance	2,640	2,877	275	1,142	50	2,057	9,041	839	-	839	9,880
Postage	54	504	-	62	1,224	50	1,894	-	6,041	6,041	7,935
Miscellaneous	85	24	-	75	5,371	1,251	6,806	335	-	335	7,141
Waste disposal	2,277	935	265	972	719	1,624	6,792	194	-	194	6,986
Birth certificates and fees	50	5,567	-	-	-	722	6,339	-	-	-	6,339
Other in-kind	329	3,654	-	165	182	-	4,330	-	-	-	4,330
	<u>\$ 626,621</u>	<u>\$ 291,713</u>	<u>\$ 63,780</u>	<u>\$ 167,773</u>	<u>\$ 93,144</u>	<u>\$ 527,347</u>	<u>\$ 1,770,378</u>	<u>\$ 107,311</u>	<u>\$ 19,840</u>	<u>\$ 127,151</u>	<u>\$ 1,897,529</u>

See accompanying notes.

THE CAMPUS FOR HUMAN DEVELOPMENT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Increase in net assets	\$ 225,388
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	89,163
Provision for loss on uncollectible contributions	51,757
Endowment fund contributed to Community Foundation	12,367
Change in operating assets and liabilities:	
Contracts and grants receivable	(203,749)
Contributions receivable	91,071
Other	42,198
Accounts payable and accrued expenses	<u>45,927</u>
Net cash provided by operating activities	<u>354,122</u>
Cash flows from investing activities:	
Purchase of furniture and equipment	<u>(26,494)</u>
Net cash used in investing activities	<u>(26,494)</u>
Net increase in cash and cash equivalents	327,628
Cash and cash equivalents at beginning of year	<u>545,927</u>
Cash and cash equivalents at end of year	<u><u>\$ 873,555</u></u>
Supplemental disclosure of non-cash investing and financing activities:	
Endowment fund contributed to Community Foundation	<u><u>\$ 12,367</u></u>

See accompanying notes.

THE CAMPUS FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Organization

The Campus for Human Development ("Campus") is a religious non-profit organization based in Nashville, Tennessee. Campus is committed to providing enhanced services to the homeless while improving the system by which these services are delivered. Campus administers a variety of programs to provide a continuum of care that is emergency and long-term, residential and educational. Following is a description of selected Campus programs. The Guest House serves homeless substance abusers by offering shelter to individuals who are undergoing alcohol and drug addiction treatment through a partnership with the Metro Health Department and Veteran's Administration. The Day Center serves homeless individuals with daytime shelter throughout the year. Respite Care offers homeless individuals who are medically fragile a place to recover. The Veterans program provides transitional housing and supportive services to homeless veterans. Room In The Inn, in partnership with more than 150 Middle Tennessee congregations, provides shelter for up to 225 men, women, and children each evening during the winter months. Case Management is a program that works with homeless individuals allowing them to create plans and goals to leave homelessness.

Basis of Presentation

Campus has adopted Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Campus 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. In addition, Campus is required to present a statement of cash flows. Net assets of Campus are presented as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of Campus and/or the passage of time. When a 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.

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

Land, Building and Equipment

Campus capitalizes all expenditures for land, building and equipment in excess of \$200. Purchases of land, building and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of 5 – 27.5 years.

THE CAMPUS FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

Campus is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Campus considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The cash accounts are held primarily by financial institutions and at times may exceed amounts that are federally insured.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to Campus that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Campus uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

THE CAMPUS FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Donated Materials and Services (Continued)

Additionally, a number of non-professional volunteers donated approximately 124,000 hours during 2006 to Campus' program services. However, these services do not meet the requirements above and have not been recorded.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and support services based on estimates by management.

NOTE 2 – LAND, BUILDING AND EQUIPMENT

Land, building and equipment is summarized as follows at June 30, 2006:

Real estate	\$ 112,678
Leasehold improvements – Eighth Avenue South	1,037,339
Furniture and laundry equipment	119,631
Automobiles	38,300
Office equipment	<u>121,950</u>
	1,429,898
Less: accumulated depreciation	<u>(868,282)</u>
	<u>\$ 561,616</u>

There are restrictions on certain property owned by Campus. The real estate restrictions by the Department of Housing and Urban Development ("HUD") require Campus to operate the transitional housing facilities for a period of ten years from the initial occupancy. Additionally, Metropolitan Development and Housing Agency ("MDHA") grant funds have placed restrictions on leasehold improvements and office equipment that require Campus to use the assets for the benefit of homeless individuals. Total gross restricted assets amounted to \$1,086,516 at June 30, 2006.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2006:

World Share	<u>\$ 8,028</u>
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THE CAMPUS FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006

NOTE 4 – DONATED MATERIALS AND SERVICES

Campus received in-kind contributions as follows during the year ended June 30, 2006:

Rental facilities	\$ 48,000
Laundry services	62,653
Food	131,509
Other	<u>4,330</u>
	<u>\$ 246,492</u>

The property located at Eighth Avenue South is leased on a month-to-month basis from MDHA. The payment of monthly rent is currently suspended and Campus recorded in-kind rent of \$12,000. The lease requires the property to be used for programs to help the homeless and The Guest House operations. The property at 625 Benton Avenue is used by Campus programs. This property is provided to Campus by MDHA, and requires the property to be used to assist the homeless. The payment of monthly rent is suspended and Campus recorded in-kind rent of \$36,000.

NOTE 5 – CONCENTRATIONS

Campus receives a major portion of its support from contracts and grants from government agencies. Campus also receives a significant amount of financial and other support from religious organizations. A major reduction of support from these organizations, should this occur, could have a material effect on the financial position of Campus.

NOTE 6 – EMPLOYEE RETIREMENT PLAN

Campus adopted a defined contribution plan effective January 1, 1997. The Plan covers all employees who are at least 21 years of age and have completed 90 days of service. Campus does not match employee contributions to the defined contribution plan.

NOTE 7 – LEASES

Campus has also entered into an operating lease for certain office equipment.

The future minimum lease payments are as follows for the years ending June 30:

2007	\$ 4,476
2008	4,476
2009	<u>373</u>
	<u>\$ 9,325</u>

THE CAMPUS FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006

NOTE 7 – LEASES (Continued)

Rent expense for the year ended June 30, 2006 totaled \$4,909. Rent expense has been reported in various classifications based upon the related functional use.

NOTE 8 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE INVESTMENTS

The Community Foundation of Middle Tennessee, a separate nonprofit organization, maintains investments on behalf of Campus. The Community Foundation has ultimate authority and control over the investments; accordingly, the net assets of Campus do not include these investments.

Investment earnings on its pro-rata share of the Community Foundation's assets are expected to be reinvested and added to the principal balance. The balance of the endowment fund held for the benefit of Campus totaled approximately \$18,000 at June 30, 2006.

NOTE 9 – SUBSEQUENT EVENT

Subsequent to year end, Campus was approved for a \$1.6 million grant from the Tennessee Housing Development Agency. The grant is to be used for the construction of a new building as well as improvements to existing structures. The total anticipated cost for the construction is approximately \$3.5 million. Campus also intends to fund the project through contributions and outside financing.

In connection with this project, adjacent property was purchased for approximately \$100,000 subsequent to June 30, 2006.

SUPPLEMENTAL INFORMATION

THE CAMPUS FOR HUMAN DEVELOPMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2006

FEDERAL AWARDS

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development passed through:				
Metropolitan Development and Housing Agency	Supportive Housing Program	14.235 +	TN37B104003	\$ 185,579
Metropolitan Development and Housing Agency	Supportive Housing Program	14.235 +	TN37B404004	309,044 Δ
Metropolitan Development and Housing Agency	Emergency Shelter Grants Program	N/A	-	23,117
State of Tennessee	Emergency Shelter Grants Program	14.231	Z05-020627	6,350
State of Tennessee	Emergency Shelter Grants Program	14.231	Z06-026051	26,316
U.S. Department of Housing and Urban Development	Respite	N/A	TN37B204012	62,682
U.S. Department of Housing and Urban Development	Odyssey Program	N/A	TN37B04005	<u>195,000</u>
Subtotal for U.S. Department of Housing and Urban Development				<u>808,088</u>
U.S. Department of Homeland Security passed through:				
United Way	Emergency Food and Shelter National Board Program	97.024	-	10,132
U.S. Department of Veterans Affairs	VA Homeless Providers Grant and Per Diem Program	64.024	04-136-TN	<u>142,677</u>
Total Federal Awards				<u>\$ 960,897</u>

+ Indicates a major program

Δ \$125,967 passed through to subrecipients

N/A CFDA number is not available

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Campus for Human Development and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



F R A S I E R , D E A N & H O W A R D , P L L C

CERTIFIED PUBLIC ACCOUNTANTS

411 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-259-0592, FAX 615-259-7094

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

The Board of Directors
The Campus for Human Development

We have audited the financial statements of The Campus for Human Development (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated June 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Campus for Human Development's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect The Campus for Human Development's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1 through 2006-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

The Board of Directors
The Campus for Human Development
Page two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Campus for Human Development's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2006-3.

We also noted certain matters that we reported to management of The Campus for Human Development in a separate letter dated June 20, 2007.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Frasier, Dean + Howard, PLLC

June 20, 2007