

**TENNESSEE CONFERENCE
ON SOCIAL WELFARE**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

June 30, 2007 and 2006

TENNESSEE CONFERENCE ON SOCIAL WELFARE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tennessee Conference on Social Welfare
Nashville, Tennessee

We have audited the accompanying statement of financial position of Tennessee Conference on Social Welfare (a nonprofit organization) as of June 30, 2007, and the related statement 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. The financial statements of Tennessee Conference on Social Welfare as of June 30, 2006 were audited by other auditors whose report dated September 20, 2006 expressed an unqualified opinion on those statements.

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 Tennessee Conference on Social Welfare as of June 30, 2007, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean + Howard, PLLC

January 23, 2008

TENNESSEE CONFERENCE ON SOCIAL WELFARE
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash	\$ 23,006	\$ 32,277
Accounts receivable	13,652	6,102
Prepaid expenses	2,644	3,042
Other assets	110	482
	<hr/>	<hr/>
Total current assets	39,412	41,903
Equipment (net of accumulated depreciation of \$10,585 and \$9,864)	4,484	5,289
	<hr/>	<hr/>
Total assets	<u>\$ 43,896</u>	<u>\$ 47,192</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,643	\$ -
Payroll taxes payable	1,711	1,792
Accrued expenses	1,425	2,471
Lease obligation	1,972	3,768
Deferred income	-	3,475
	<hr/>	<hr/>
Total current liabilities	7,751	11,506
	<hr/>	<hr/>
Net assets:		
Unrestricted	35,345	35,686
Temporarily restricted	800	-
	<hr/>	<hr/>
Total net assets	36,145	35,686
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 43,896</u>	<u>\$ 47,192</u>

See notes to financial statements.

TENNESSEE CONFERENCE ON SOCIAL WELFARE
STATEMENTS OF ACTIVITIES
Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Unrestricted:		
Support and revenue:		
Interest income	\$ 75	\$ 32
Membership dues - organizations	51,633	46,925
Membership dues - individuals	12,130	17,020
Contributions	10,754	11,039
In-kind contributions and contributed services	5,307	1,089
Social services competency based training	-	450
Spring conference	75,973	62,186
Rental income	8,400	5,250
Regional conferences and support	25,090	33,430
Miscellaneous	659	1,894
Total unrestricted support and revenue	<u>190,021</u>	<u>179,315</u>
Expenses:		
Program services:		
Training conferences	108,350	106,513
Communications	57,485	64,562
Research, study and planning	12,160	13,704
Issue education	1,217	711
Total program services	<u>179,212</u>	<u>185,490</u>
Supporting services:		
Management and general	6,478	7,638
Fundraising	4,672	5,555
Total supporting services	<u>11,150</u>	<u>13,193</u>
Total unrestricted expenses	<u>190,362</u>	<u>198,683</u>
Total decrease in unrestricted net assets	<u>(341)</u>	<u>(19,368)</u>
Temporarily restricted:		
Support and revenue	<u>800</u>	<u>-</u>
Net increase (decrease) in net assets	459	(19,368)
Net assets at beginning of year	<u>35,686</u>	<u>55,054</u>
Net assets at end of year	<u><u>\$ 36,145</u></u>	<u><u>\$ 35,686</u></u>

See notes to financial statements.

TENNESSEE CONFERENCE ON SOCIAL WELFARE
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2007

	Program Services				Supporting Services		
	Training Conferences	Communications	Research Study and Planning	Issue Education	Management and General	Fund raising	Total
Salaries and employee benefits	\$ 29,821	\$ 40,878	\$ 7,446	\$ 137	\$ 5,314	\$ 4,082	\$ 87,678
Professional fees	6,538	2,758	500	10	-	-	9,806
Office supplies	3,090	1,062	199	4	214	5	4,574
Telephone	1,265	891	157	3	6	25	2,347
Postage	1,532	724	23	1	22	-	2,302
Rent	3,265	4,476	815	15	582	447	9,600
Equipment rental and maintenance	675	925	169	3	120	92	1,984
Printing and publications	6,559	2,046	1,508	-	-	-	10,113
Travel	1,019	60	31	1	40	11	1,162
Conference and special events	45,482	-	139	-	94	8	45,723
Insurance and fees	3,490	367	66	2	30	-	3,955
Staff development	91	38	7	-	-	-	136
Memberships	764	553	224	-	-	-	1,541
Depreciation	1,279	758	370	7	-	-	2,414
Interest expense	179	52	37	-	-	-	268
Miscellaneous	3,301	1,897	469	1,034	56	2	6,759
Total expenses	\$ 108,350	\$ 57,485	\$ 12,160	\$ 1,217	\$ 6,478	\$ 4,672	\$ 190,362

See notes to financial statements.

TENNESSEE CONFERENCE ON SOCIAL WELFARE
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2006

	Program Services			Supporting Services		
	Training Conferences	Communications	Research Study and Planning	Issue Education	Management and General	Fund raising Total
Salaries and employee benefits	\$ 35,662	\$ 48,884	\$ 8,904	\$ 164	\$ 6,355	\$ 4,882
Professional fees	2,655	1,120	203	4	-	-
Office supplies	3,170	1,090	204	4	220	5
Telephone	1,131	797	140	3	5	22
Postage	2,868	1,355	43	1	42	-
Rent	3,061	4,196	764	14	546	419
Equipment rental and maintenance	1,420	1,947	355	7	253	194
Printing and publications	9,405	2,934	2,163	-	-	-
Travel	2,317	137	70	2	91	25
Conference and special events	39,381	-	120	-	81	7
Insurance and fees	2,120	223	40	1	18	-
Staff development	50	21	4	-	-	-
Memberships	58	42	17	-	-	-
Depreciation	1,407	834	407	8	-	-
Interest expense	202	59	42	-	-	-
Miscellaneous	1,606	923	228	503	27	1
Total expenses	\$ 106,513	\$ 64,562	\$ 13,704	\$ 711	\$ 7,638	\$ 5,555
						\$ 198,683

See notes to financial statements.

TENNESSEE CONFERENCE ON SOCIAL WELFARE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 459	\$ (19,368)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,415	2,656
Increase in accounts receivable	(7,550)	(6,102)
Decrease in prepaid expenses	398	777
Decrease in other assets	372	-
Increase in accounts payable	2,643	-
Decrease in accrued expenses	(1,046)	-
(Decrease) increase in payroll taxes payable	(81)	1,792
(Decrease) increase in deferred income	<u>(3,475)</u>	<u>3,225</u>
Net cash used by operating activities	<u>(5,865)</u>	<u>(17,020)</u>
Cash flows from investing activities:		
Purchases of equipment	<u>(1,610)</u>	<u>(1,056)</u>
Net cash used by investing activities	<u>(1,610)</u>	<u>(1,056)</u>
Cash flows from financing activities:		
Payments on lease obligation	<u>(1,796)</u>	<u>(1,636)</u>
Net cash used by financing activities	<u>(1,796)</u>	<u>(1,636)</u>
Net decrease in cash	(9,271)	(19,712)
Cash, beginning of year	<u>32,277</u>	<u>51,989</u>
Cash, end of year	<u><u>\$ 23,006</u></u>	<u><u>\$ 32,277</u></u>

See notes to financial statements.

TENNESSEE CONFERENCE ON SOCIAL WELFARE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tennessee Conference on Social Welfare (the “Conference”) works to improve the social and economic well being of Tennesseans, particularly those in need. The Conference provides training for human service providers, as well as issue education to policy-makers statewide. The Conference is supported primarily through conference and membership fees.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables and other liabilities. The financial statements include the accounts of the main office located in Nashville, Tennessee and the accounts of the six regional offices located throughout Tennessee.

Basis of Presentation

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

Unrestricted

Represents unrestricted contributions that are available for the Conference’s operations.

Temporarily Restricted

Represents net assets subject to donor-imposed stipulations that may or will be met either by actions of the Conference and/or the passage of time. The Organization’s temporarily restricted net assets at June 30, 2007 consist of amounts restricted for the preservation of historical documents.

Permanently Restricted

Represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Conference. Generally, donors of these assets may permit the Conference to use all or part of the income earned for general or specific purposes. At June 30, 2007 and 2006, the Conference did not have any permanently restricted net assets.

TENNESSEE CONFERENCE ON SOCIAL WELFARE
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

The Conference has also adopted SFAS No. 116, *“Accounting for Contributions Received and Contributions Made.”* In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted amounts received and expended in the same year are reflected as unrestricted contributions.

The Conference is the recipient of annual income distributions from an endowment held by the Community Foundation of Middle Tennessee for its exclusive benefit. The Foundation has ultimate authority and control over all property of these endowments, including income derived therefrom, for use in conjunction with the charitable purposes of the Foundation, and, therefore, these assets are not included in the financial statements of the Conference. The balance of the endowment at June 30, 2007 is \$7,799. These annual income distributions are reflected as contributions in the accompanying statement of activities.

Contributions Receivable (Promises to Give)

Contributions are recognized when the donor makes a promise to give to the Conference that is, in substance, unconditional. Contributions that are restricted by the donor 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.

The Conference 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. Management considers contributions receivable to be fully collectible as of June 30, 2007 and 2006, and accordingly, no allowance for doubtful receivables has been provided.

Contributed Services and Facilities

Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No amounts have been reflected on these financial statements for these services because they do not meet the criteria for recognition under SFAS No. 116.

TENNESSEE CONFERENCE ON SOCIAL WELFARE
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Conference considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Equipment

Equipment is recorded at cost or at fair value as of the date purchased or contributed. Depreciation is provided in amounts necessary to allocate the costs of the various classes of assets using straight-line methods over the estimated useful lives of the respective assets, generally ranging from five to 25 years. Amortization of equipment under a capital lease is included within depreciation expense.

Income Taxes

The Conference has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation. Accordingly, no provision for taxes has been made in the financial statements.

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.

NOTE 2 – LEASES AND RELATED PARTY TRANSACTION

Beginning September 24, 2003, the Conference entered into a lease for equipment with a term of fifty-eight months. Based on the provisions of SFAS No. 13, "*Accounting for Leases*," the lease meets the criteria of a capital lease and, accordingly, has been recorded as such. This asset is stated on the statements of financial position at a capitalized cost of \$7,661 and had accumulated depreciation of \$5,745 and \$4,214 at June 30, 2007 and 2006, respectively.

TENNESSEE CONFERENCE ON SOCIAL WELFARE
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2007 and 2006

NOTE 2 – LEASES AND RELATED PARTY TRANSACTION (continued)

Future minimum lease payments under the capital lease, together with the present value of minimum lease payments subsequent to June 30, 2007 are as follows:

Year ending June 30,	
2008	\$ 1,939
2009	<u>161</u>
	2,100
Less amount representing interest assuming an implicit effective rate of 6.50%	<u>(128)</u>
Present value of minimum lease payments	<u>\$ 1,972</u>

The Conference entered into an office lease agreement on June 10, 2006 at a monthly rent of \$800 for a one-year term. The Conference entered into an oral agreement with the lessor to continue to rent the office space on a month-to-month basis subsequent to June 30, 2007. Rental expense was \$9,000 and \$9,600 for the years ended June 30, 2007 and 2006, respectively.

In July 2006, the Conference entered into a sublease agreement with a related party at a rate of \$700 per month for the period July 1, 2006 through June 30, 2007. The agreement was extended in July 2007 at a rate of \$750 per month for the period July 1, 2007 through June 30, 2008. Rental income from the sublease agreement was \$8,400 and \$5,250 for the years ended June 30, 2007 and 2006, respectively.

NOTE 3 – DEFINED CONTRIBUTION PLAN

The Conference has established a defined contribution plan (in the form of a tax-deferred annuity 403(b) plan) for the benefit of its employees, whereby the employees elect to make contributions pursuant to a salary reduction agreement. Employee contributions for the years ended June 30, 2007 and 2006 totaled \$3,132 and \$4,556, respectively.