

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**INDEPENDENT AUDITORS' REPORT**  
**AND**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2004 AND 2003**

**CHRISTIAN COMMUNITY SERVICES, INC.**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Christian Community Services, Inc.  
Nashville, Tennessee

We have audited the accompanying statement of financial position of Christian Community Services, Inc. (a nonprofit organization) as of December 31, 2004 and 2003, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of Christian Community Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 misstatements. 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 Christian Community Services, Inc. as of December 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2005, on our consideration of Christian Community Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

*Hoskins & Co. P.C.*  
Hoskins & Company, P. C.  
August 9, 2005

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 9,428	\$ 17,486
Cash and cash equivalents (Restricted)	15,000	908
Cash and cash equivalents (Board Designated)	10,652	12,522
Prepaid expenses	5,251	-
Contributions receivable	4,750	4,750
Total Current Assets	<u>45,081</u>	<u>35,666</u>
Other Assets		
Property and Equipment		
Building	200,000	200,000
Vehicles	35,666	35,666
Equipment and furniture	11,951	11,951
Less: Accumulated depreciation	<u>(52,653)</u>	<u>(36,981)</u>
Total Other Assets	<u>194,964</u>	<u>210,636</u>
<b>Total Assets</b>	<u><u>\$ 240,045</u></u>	<u><u>\$ 246,302</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 50	\$ -
Total Current Liabilities	<u>50</u>	<u>-</u>
Net Assets		
Unrestricted net assets	214,343	232,872
Temporarily restricted net assets	15,000	908
Board designated funds	10,652	12,522
Total Net Assets	<u>239,995</u>	<u>246,302</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 240,045</u></u>	<u><u>\$ 246,302</u></u>

The accompanying notes are an integral part of these financial statements.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>Unrestricted Net Assets</b>		
Revenue and Support		
Contributions	\$ 144,284	\$ 114,757
Hope VI grant revenue	58,000	20,581
Interest income	69	161
Other income	141	1,982
Net assets released from donor restrictions	908	12,612
Total Revenue and Support	<u>203,402</u>	<u>150,093</u>
 Operating Expenses		
Program services	201,475	136,893
Support services	22,326	#REF!
Total Expenses	<u>223,801</u> ✓	<u>192,589</u>
 Decrease in Unrestricted Net Assets	(20,399)	(42,496)
 <b>Temporarily Restricted Net Assets</b>		
Contributions	\$ 15,000	\$ -
Net assets released from donor restrictions	<u>(908)</u>	<u>(12,612)</u>
 Increase (Decrease) in Temporarily Restricted Net Assets	<u>14,092</u> ✓	<u>(12,612)</u>
 <b>Total Decrease in Net Assets</b>	(6,307)	(55,108)
<b>Net Assets at Beginning of Year</b>	246,302	301,410
<b>Net Assets at End of Year</b>	<u><u>\$ 239,995</u></u>	<u><u>\$ 246,302</u></u>

The accompanying notes are an integral part of these financial statements.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash Flows from Operating Activities</b>		
Decrease in Net Assets	\$ (6,307)	\$ (55,108)
Depreciation	1,567	15,672
(Increase) Decrease in prepaid expenses	(5,251)	1,350
(Increase) Decrease in contributions receivable	-	(465)
Increase (Decrease) in liabilities	50	(2,000)
Net cash provided by operating activities	<u>(9,941)</u>	<u>(40,551)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment	<u>-</u>	<u>(4,673)</u>
Net cash used in investing activities	<u>-</u>	<u>(4,673)</u>
Increase (Decrease) in Cash and Cash Equivalents	(9,941)	(45,224)
Cash and Cash Equivalents, Beginning of Year	30,916	76,140
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 20,975</u>	<u>\$ 30,916</u>

The accompanying notes are an integral part of these financial statements.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program	Support Services Management and General	Fundraising	Support Services Total	Total
Adult Life Basic Skills	\$ 10,678	\$ -	\$ -	\$ -	\$ 10,678
BASIC Financial Training	776	-	-	-	776
Child Care	660	-	-	-	660
Childrens Tutorial	1,397	-	-	-	1,397
Depreciation	14,105	1,567	-	1,567	15,672
Dues and Subscriptions	-	75	-	75	75
Equipment	1,096	206	69	275	1,371
Family Mentoring	1,804	-	-	-	1,804
Financial Counseling	654	-	-	-	654
IDA	8,300	-	-	-	8,300
Auto Insurance	2,951	984	-	984	3,935
Health Insurance	10,242	904	904	1,808	12,050
Liability Insurance	1,830	784	-	784	2,614
Janitorial Service	2,614	356	-	356	2,970
Miscellaneous	-	585	-	585	585
Office Supplies	1,884	342	86	428	2,312
Payroll Expenses	126,633	6,705	6,705	13,410	140,043
Postage and Delivery	357	81	101	182	539
Printing and Reproduction	558	8	63	71	629
Professional Fees	1,181	197	197	394	1,575
Family Meals	4,994	-	-	-	4,994
Staff Training/Conferences	1,712	285	285	570	2,282
Telephone	6,508	360	362	722	7,230
Transportation	346	115	-	115	461
Volunteer Training	195	-	-	-	195
	<u>\$ 201,475</u>	<u>\$ 13,554</u>	<u>\$ 8,772</u>	<u>\$ 22,326</u>	<u>\$ 223,801</u>

The accompanying notes are an integral part of these financial statements.

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Program</u>	Support Services Management and General	<u>Total</u>
Adult Life Basic Skills	\$ 26,869	\$ -	\$ 26,869
Depreciation	-	15,672	15,672
Equipment	-	773	773
IDA	8,608	-	8,608
Health Insurance	-	12,087	12,087
Liability Insurance	-	2,924	2,924
Janitorial Service	3,016	-	3,016
Miscellaneous	-	2,276	2,276
Office Supplies	-	2,653	2,653
Payroll Expenses	98,400	8,012	106,412
Postage and Delivery	-	442	442
Printing and Reproduction	-	2,177	2,177
Professional Fees	-	1,000	1,000
Staff Training/Conferences	-	2,315	2,315
Telephone	-	4,607	4,607
Transportation	-	758	758
	<u>\$ 136,893</u>	<u>\$ 55,696</u>	<u>\$ 192,589</u>

The accompanying notes are an integral part of these financial statements.



CHRISTIAN COMMUNITY SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1—Nature of Organization

Christian Community Services, Inc. (The Organization) is a collaboration between Schrader Lane Church of Christ and Woodmont Hills Church of Christ. The mission of the not-for-profit organization is to create a community that empowers families to reach quality, independent, and productive lives.

NOTE 2—Summary of Significant Accounting Policies

Income Taxes  
The Organization is a tax-exempt entity under Section 501 (c) (3) of the Internal Revenue Code. Therefore, no provisions for income taxes are applicable.

Basis of Presentation

The financial statements of The Organization have been prepared on the accrual basis of accounting.

Property, Plant and Equipment

Disbursements for property and equipment are capitalized and reflected in the statement of financial position at cost. Expenditures for additions and major improvements are capitalized while those for maintenance and repairs are charged to expenses as incurred. Depreciation, which is reflected as an expense in the statement of activities, is computed on the straight-line method over the following estimated useful lives:

Years	
3—10	Machinery and equipment
3—10	Furniture and fixtures
3—10	Vehicles
20—39	Buildings

Support and Expenses

The Organization's primary source of support is contributions. Contributions received are measured at their fair values and reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

**CHRISTIAN COMMUNITY SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

**NOTE 2--Summary of Significant Accounting Policies (continued)**

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in a checking account and a money market account. The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value. Management believes The Organization is not exposed to any significant credit risk on cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences.

Employees of The Organization are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation, but not for accumulated sick leave. Accordingly, vacation pay is accrued and recognized as an expense in the period earned by employees.

**NOTE 3--Contributions Receivable**

Contributions receivable consists of a monthly commitment from Woodmont Hills Church of Christ. The balance at December 31, 2004 and 2003 was \$4,750 and \$4,750, respectively. No allowance for doubtful contributions was considered necessary as of December 31, 2004 and 2003.

**NOTE 4--Funding**

The Organization receives substantially all of its support from contributions from Schrader Lane Church of Christ and Woodmont Hills Church of Christ. A major reduction in contributions from these churches may have a significant effect on the future operations of The Organization's programs and activities.

The Organization has collaborated with the Metropolitan Development and Housing Agency (MDHA) to implement the Hope VI program. MDHA is the recipient of the Hope VI grant to assist residents of Preston Taylor Homes to move from welfare to work and towards self-sufficiency. The Organization has agreed to provide Family Mentoring, Basic Life Skills training and tutoring for children at the Preston Taylor Homes. MDHA will provide: (1) Social work staff to refer Preston Taylor Homes residents who complete Individual Family Self-Sufficiency Plans to the Organization, (2) on-site evaluation of program outcomes and customer satisfaction, (3) space in the community center for use as classrooms, and (4) information about original and new residents. The Organization receives a substantial amount of its revenue from MDHA in the

**CHRISTIAN COMMUNITY SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

form of reimbursement grants for operation of this program. A major reduction in funding may have a significant effect on the future operation of programs and activities at Preston Taylor Homes.

**NOTE 5—Temporarily Restricted and Board Designated Funds**

In 2000 the board designated matching funds for participants that completed The Organization's Individual Development program and the Basic Life Skills program. The Organization matches every dollar the participant deposits into a savings account with two dollars, up to a maximum of \$5,000. These designated funds are on deposit in a money market account. The balance of the board designated funds in the money market account at December 31, 2004 and 2003 was \$10,652 and \$12,522, respectively.

Some of the funds restricted for the Individual Development program by donors have also been deposited into the money market account. The balance of these temporarily restricted funds at December 31, 2004 and 2003 was \$0 and \$908, respectively.

A private grant contribution of \$15,000 was received during 2004 to be used as follows: \$10,000 for the Basic Financial Training program and \$5,000 for the Individual Development Program. These restricted funds have not been deposited into the money market account. These funds are maintained in The Organization's regular checking account.

**NOTE 6—Related Party Transactions**

The Organization has an agreement with MDHA to provide day care services at the Community Center in Vine Hill Homes. The Organization has entered into an agreement with Schrader Lane Child Care Services Center (Schrader Lane) through which Schrader Lane will provide workforce and management services that are appropriate for fulfilling the obligations of The Organization to MDHA to maintain a child daycare center at the Community Center. Schrader Lane pays all expenses it incurs in performing its obligations under this agreement and receives grant funding from MDHA on behalf of The Organization. The Organization has no financial obligation to Schrader Lane. Activities and transactions related to this agreement have not been included in The Organization's financial statements.

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

To the Board of Directors of  
Christian Community Services, Inc.  
Nashville, Tennessee

We have audited the financial statements of *Christian Community Services, Inc.* (a nonprofit organization) as of and for the year ended December 31, 2004 and have issued our report thereon dated August 9, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether *Christian Community Services, Inc.*'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Christian Community Services, Inc.*'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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and others within the organization. However, this report is a matter of public record and its distribution is not limited.

*Hoskins & Co., P.C.*

Hoskins & Company, P.C.

August 9, 2005

August 9, 2005

To the Board of Directors  
Christian Community Services, Inc.

We have audited the financial statements of *Christian Community Services, Inc.* for the year ended December 31, 2004, and have issued our report thereon dated August 9, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 9, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of *Christian Community Services, Inc.* Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by *Christian Community Services, Inc.* are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates noted.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Organization, either individually or in the aggregate, indicate matters that could have a significant effect on the Organization's financial reporting process.

Some of our adjustments indicate matters that could cause financial statements to be materially misstated and are summarized as follows: The trial balance submitted for audit did not properly classify \$247,617 of fixed assets and the related accumulated depreciation of \$52,653. The net effect of all adjusting entries posted for the audit period was -\$10,422. The net gain before audit adjustments were made was \$4,115. The net loss after adjusting entries were posted was \$6,307.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be

significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Directors and management of *Christian Community Services, Inc.* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Hoskins & Co P.C.*

Hoskins & Company, P.C.

To the Board  
Christian Community Services, Inc.

In planning and performing our audit of the financial statements of Christian Community Services, Inc. for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, during the course of our audit, the following internal control matters came to our attention. We present our recommendations for your consideration and we would be happy to discuss these comments in further detail.

**CONDITION:**

1. Restricted contributions, such as grants, should be administered and accounted for in accordance with grant provisions and donor requirements. A \$15,000 restricted grant contribution was deposited into the regular operating account with unrestricted funds.
2. Disbursements for goods and services should be made in accordance with the policies and procedures established by the board. Policies and procedures, as well as good accounting practices, require that vendor invoices be obtained and a disbursement voucher be completed and signed prior to the disbursement of funds.

Documentation to support a payment of \$2,666.68 to Lenders Tile for the IDA program could not be obtained.

**RECOMMENDATION:**

1. Contributions that are received with donor restrictions should be accounted for and maintained in an account that is separate from unrestricted funds and adequately monitored for compliance with restrictions.
2. Documentation indicating that goods and services have actually been authorized and received should be maintained to support all disbursements.

This report is intended solely for the information and use of the board, management, and others within the organization.

*Hoskins & Co., P.C.*

Hoskins & Company, PC  
August 9, 2005