

PASTORAL COUNSELING CENTERS OF TENNESSEE, INC.
NASHVILLE, TENNESSEE

REPORT OF EXAMINATION OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Board of Directors
Pastoral Counseling Centers of Tennessee, Inc.

We have audited the accompanying combined statements of financial position of Pastoral Counseling Centers of Tennessee, Inc., (a Corporation) as of December 31, 2008 and 2007 and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the corporation 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 Pastoral Counseling Centers of Tennessee, Inc. as of December 31, 2008 and 2007, the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Certified Public Accountants
July 15, 2009

PASTORAL COUNSELING CENTERS OF TENNESSEE, INC.

Statements of Financial Position
December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and Equivalents	\$ 0	\$ 29,125
Accounts receivable (less allowance, 2008:\$22,312 and 2007: \$17,454)	38,129	30,465
Satellite Accounts Receivable	0	927
Pledges Receivable	0	6,450
Total current assets	<u>38,129</u>	<u>66,967</u>
Assets whose use is restricted:		
by donor—temporarily restricted assets	10,398	9,093
Endowment fund	47,588	47,562
Total assets whose use is restricted	<u>57,986</u>	<u>56,655</u>
Property and equipment:		
Buildings and improvements	4,777	14,787
Furniture and equipment	43,749	152,638
Total property and equipment	<u>48,526</u>	<u>167,425</u>
Accumulated depreciation	<u>(36,446)</u>	<u>(159,052)</u>
Net property and equipment	<u>12,080</u>	<u>8,373</u>
Total assets	<u>\$ 108,195</u>	<u>\$ 131,995</u>

See accompanying notes and Accountant's Report

PASTORAL COUNSELING CENTERS OF TENNESSEE, INC.

Statements of Financial Position
December 31, 2008 and 2007

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
Current liabilities:		
Due to endowment fund	\$ 47,588	\$ 31,000
Due to temporarily restricted funds	9,235	6,317
Accounts Payable	21,006	4,499
Accounts Payable - Overdraft	14,344	0
Accrued expenses	15,675	4,137
Total current liabilities	<u>107,848</u>	<u>45,953</u>
Net Assets - Unrestricted	(57,639)	29,387
Net Assets - Temporarily restricted	10,398	9,093
Net Assets - Permanently restricted	47,588	47,562
Total Net Assets	<u>347</u>	<u>86,042</u>
 Total liabilities and net assets	 <u>\$ 108,195</u>	 <u>\$ 131,995</u>

See accompanying notes and Accountant's Report

PASTORAL COUNSELING CENTERS OF TENNESSEE, INC.

Statements of Activities
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Revenue:		
Contributions	\$ 252,289	\$ 374,334
Counseling Services	333,049	355,273
Investment income	0	436
Net assets released from restrictions	0	25,932
Total revenue	<u>585,338</u>	<u>755,975</u>
Expenses:		
General and administrative	664,645	691,974
Depreciation and amortization	2,482	1,972
Advertising	5,237	8,274
Total expenses	<u>672,364</u>	<u>702,220</u>
Increase(Decrease) in unrestricted net assets	(87,026)	53,755
Changes in temporarily restricted net assets:		
Contributions	1,305	1,496
Net assets released from restrictions	0	(25,932)
Increase(Decrease) in temporarily restricted net assets	<u>1,305</u>	<u>(24,436)</u>
Changes in permanently restricted net assets:		
Investment Income	26	33
Distributions	0	(150)
(Decrease) Increase in permanently restricted net assets	<u>26</u>	<u>(117)</u>
(Decrease) Increase in net assets	(85,695)	29,202
Net assets beginning of year	<u>86,042</u>	<u>56,840</u>
Net assets end of year	<u>\$ 347</u>	<u>\$ 86,042</u>

See accompanying notes and Accountant's Report

PASTORAL COUNSELING CENTERS OF TENNESSEE, INC.

Statements of Cash Flows (Indirect Method)
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities and gains and losses:		
Change in unrestricted net assets	\$ (87,026)	\$ 53,755
Adjustments to reconcile revenue and gains in excess of expenses and losses to net cash provided by operating activities and gains and losses:		
Depreciation and amortization	2,482	1,972
Restricted Income (loss)	1,331	(24,553)
Change in receivables	(287)	(10,839)
Due to endowment fund	16,588	(10,000)
Due to temporarily restricted funds	2,918	(21,037)
Change in accounts payable	16,507	4,499
Change in accounts payable - overdraft	14,344	0
Change in accrued expenses	<u>11,538</u>	<u>796</u>
Net cash provided by operating activities and gains and losses	(21,605)	(5,407)
Cash flows from investing activities:		
Payments for purchase of equipment & improvements	<u>(6,189)</u>	<u>0</u>
Net cash used by investing activities	(6,189)	0
Net increase(decrease) in cash and cash equivalents	(27,794)	(5,407)
Cash and cash equivalents at beginning of year	29,125	9,979
Less: Permanently Restricted cash and cash equivalents	(26)	117
Less: Temporarily Restricted cash and cash equivalents	<u>(1,305)</u>	<u>24,436</u>
Cash and cash equivalents at end of year (unrestricted)	<u>\$ 0</u>	<u>\$ 29,125</u>

See accompanying notes and Accountant's Report

PASTORAL COUNSELING CENTERS OF TENNESSEE, INC.

Notes to Financial Statements
December 31, 2008 and 2007

NATURE OF OPERATIONS

Pastoral Counseling Centers of Tennessee, Inc. (PCCT) provides counseling of mental health to the general public through individual, group or family therapy. The corporate office is located in Nashville, with five (5) satellite offices located in the surrounding area.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Charity Care. PCCT provides free counseling and/or a slide scale charge for those counselees who meet certain income criteria. PCCT offsets the cost of counseling with contributions from individuals, churches and corporations.

Support and Expenses. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash 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. 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.

Investments and investment income. Marketable equity securities are carried at the lower of cost or market at the balance sheet date. Interest and investment income are recognized when earned.

Market Risk. All of PCCT's cash accounts are held in money market funds which limits their exposure to risk.

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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and equivalents. Cash and cash equivalents include any securities whose maturity is less than three months, excluding amounts whose use is restricted.

2. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. During 2008, PCCT disposed of obsolete equipment that was fully depreciated and had no remaining book value. The total amount written off was \$125,089.

PASTORAL COUNSELING CENTERS OF TENNESSEE, INC.

Notes to Financial Statements
December 31, 2008 and 2007

3. TAX STATUS

PCCT is a not-for-profit corporation as described in section 501(c) (3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to section 501(a) of the Internal Revenue Code.

4. ASSETS WHOSE USE IS RESTRICTED

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. When a donor restriction expires, that is, when a stipulated time 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.

Net assets are temporarily restricted as follows:

	2008	2007
Education	\$ 10,398	\$ 9,093
Management Development	0	0
Capital Improvement	0	0
Coffman Fund	0	0
Training	0	0
Single Fathers Fund	0	0
Computers and Technology	0	0
Clinical Pastoral Education Fund	0	0
Total net assets temporarily restricted	\$ 10,398	\$ 9,093

The composition of assets whose use is temporarily restricted at December 31, 2008 and December 31, 2007 is set forth in the following table

	2008	2007
Temporarily restricted fund		
Cash	1,163	2,776
Due from operating funds	9,235	6,317
Total	10,398	9,093

Net assets released from temporary restrictions were \$ 0 and \$25,932 for the years ended December 31, 2008 and December 31, 2007.

PASTORAL COUNSELING CENTERS OF TENNESSEE, INC.

Notes to Financial Statements
December 31, 2008 and 2007

The composition of assets whose use is permanently restricted at December 31, 2008 and 2007 is set forth in the following table. Investments are stated at cost that approximates market value.

Endowment Fund	2008	2007
Cash and equivalents	\$ 0	\$ 16,562
Due from operating funds	47,588	31,000
Total	<u>47,588</u>	<u>47,562</u>

5. PROPERTY AND EQUIPMENT

Classification of Property and Equipment and Accumulated Depreciation was as follows:

2008	COST	ACCUMULATED	BOOK VALUE
Buildings	\$ 4,776	\$ 1,634	\$ 3,142
Equipment, Furnishings and Fixtures	43,750	34,812	8,938
TOTALS	<u>\$ 48,526</u>	<u>\$ 36,446</u>	<u>\$ 12,080</u>
2007			
Buildings	\$ 14,787	\$ 7,842	\$ 6,945
Equipment, Furnishings and Fixtures	152,638	151,210	1,428
TOTALS	<u>\$ 167,425</u>	<u>\$ 159,052</u>	<u>\$ 8,373</u>

6. PENDING LEGAL PROCEEDINGS

According to Legal counsel, there is no outstanding litigation against PCCT, at December 31, 2008 and 2007.

7. PENSION PLAN

PCCT has a tax deferred retirement plan covering employees who have completed twelve months of service, attained the age of 21, and are employed on a full-time basis. PCCT makes an annual contribution for the participants, based on a percentage of their annual gross salaries. The total contribution was \$ 0 and \$19,364 for 2008 and 2007 respectively. Employees are eligible to make contributions personally through salary reduction.

PASTORAL COUNSELING CENTERS OF TENNESSEE, INC.

Notes to Financial Statements
December 31, 2008 and 2007

8. ADVERTISING COSTS

All advertising costs are expensed when incurred.

9. RELATED PARTY

PCCT is affiliated with the Vine Street Christian Church and due to the nature of services provided by PCCT, office space and utilities are, in most cases, provided at no cost for the counselors.

10. FUND-RAISING

All fund raising expenses have been expensed as incurred. The expenses do not meet the criteria for joint cost allocation. The total expense for 2008 and 2007 is \$40,485 and \$81,832, respectively.

11. GOING CONCERN

During 2007, Pastoral Counseling Centers of TN, Inc. borrowed \$ 31,000 from the endowment fund and \$ 6,317 from the temporarily restricted funds and deposited these amounts in the operating cash accounts. These amounts are reflected in the liability section of the balance sheet and will be repaid as soon as possible.

As of December 31, 2008 the balance due to the endowment fund from operating cash was \$ 47,588 In addition, \$ 9,235 was due to the temporarily restricted funds from the operating cash as of December 31, 2008.