

**THE ASSOCIATION FOR GUIDANCE,
AID, PLACEMENT AND EMPATHY (AGAPE)
OF NASHVILLE**

FINANCIAL STATEMENTS

December 31, 2009 and 2008

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Association for Guidance, Aid, Placement
and Empathy (AGAPE) of Nashville
Nashville, Tennessee

We have audited the accompanying statements of financial position of The Association for Guidance, Aid, Placement and Empathy (AGAPE) of Nashville (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association'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 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 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 The Association for Guidance, Aid, Placement and Empathy (AGAPE) of Nashville as of December 31, 2009 and 2008, 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.

Frasier, Dean & Howard, PLLC

June 8, 2010

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008**

	2009	2008
Assets		
Current assets:		
Cash	\$ 143,818	\$ 217,728
Investments	3,988,175	3,606,586
Accounts and pledges receivable	64,023	58,871
State of Tennessee contract services receivable	-	7,617
Prepaid expenses	25,111	27,654
Total current assets	4,221,127	3,918,456
Property and equipment, net	587,271	612,253
Total assets	\$ 4,808,398	\$ 4,530,709
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 20,294	\$ 36,368
Accrued expenses	72,250	58,833
Current portion of annuities payable	5,007	4,625
Total current liabilities	97,551	99,826
Annuities payable, excluding current portion	62,032	66,327
Total liabilities	159,583	166,153
Net assets:		
Unrestricted	3,516,533	3,330,463
Temporarily restricted	162,515	64,851
Permanently restricted	969,767	969,242
Total net assets	4,648,815	4,364,556
Total liabilities and net assets	\$ 4,808,398	\$ 4,530,709

See accompanying notes.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Public support:		
Individual support	\$ 636,861	\$ 750,589
Estate gifts	269,560	16,814
Corporate support	248,843	238,469
Congregational support	212,385	227,828
Memorial gifts	37,383	31,703
Total public support	<u>1,405,032</u>	<u>1,265,403</u>
Service revenue:		
Counseling fees	800,928	756,494
Adoption fees	83,414	72,667
Professional services fees	31,282	527,156
Foster care support	28,416	107,631
Total service revenue	<u>944,040</u>	<u>1,463,948</u>
Other revenue and gains (losses):		
Investment gain (loss)	483,777	(931,933)
Miscellaneous income	2,577	3,838
Total other revenue and gains (losses)	<u>486,354</u>	<u>(928,095)</u>
Total public support, service and other revenue and gains (losses)	<u>2,835,426</u>	<u>1,801,256</u>
Expenses:		
Program services	2,156,013	2,414,572
Supporting services	493,343	541,730
Total expenses	<u>2,649,356</u>	<u>2,956,302</u>
Increase (decrease) in unrestricted net assets	<u>186,070</u>	<u>(1,155,046)</u>
Changes in temporarily restricted net assets:		
Investment gain (loss)	97,664	(214,441)
Increase (decrease) in temporarily restricted assets	<u>97,664</u>	<u>(214,441)</u>
Changes in permanently restricted net assets:		
Contributions to endowment fund	525	3,125
Increase in permanently restricted net assets	<u>525</u>	<u>3,125</u>
Increase (decrease) in net assets	284,259	(1,366,362)
Net assets at beginning of year	<u>4,364,556</u>	<u>5,730,918</u>
Net assets at end of year	<u>\$ 4,648,815</u>	<u>\$ 4,364,556</u>

See accompanying notes.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 284,259	\$ (1,366,362)
Adjustments to reconcile change in net assets to cash flows used in operating activities:		
Depreciation	25,483	36,280
Net (gain) loss on investments	(534,797)	1,226,878
Donated stock	-	(99,472)
Permanently restricted contributions	(525)	(3,125)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(5,152)	40,632
State of Tennessee contract services receivable	7,617	78,400
Prepaid expenses	2,543	715
Accounts payable	(16,074)	(21,726)
Accrued expenses	13,417	3,253
Annuities payable	(3,913)	(3,604)
	<u>(227,142)</u>	<u>(108,131)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(501)	(1,204)
Proceeds from sale of investments	2,174,202	3,424,665
Purchases of investments	(2,020,994)	(3,294,816)
	<u>152,707</u>	<u>128,645</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Permanently restricted contributions	525	3,125
	<u>525</u>	<u>3,125</u>
Net cash provided by financing activities		
Net (decrease) increase in cash	(73,910)	23,639
Cash at beginning of year	<u>217,728</u>	<u>194,089</u>
Cash at end of year	<u>\$ 143,818</u>	<u>\$ 217,728</u>

See accompanying notes.

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE) OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

	Foster		Maternity		Management		Total		Grand	
	Counseling	Parental Education	Care and Adoption	Program	General	Fundraising	Supporting	Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and related expenses	811,239	309,181	208,256	1,328,676	92,274	181,023	273,297	1,601,973		
Psychiatric and clinical expenses	300,984	-	-	300,984	-	-	-	300,984		
Support payments - foster care	-	161,283	-	161,283	-	-	-	161,283		
Legal and professional	8,893	37,138	14,180	60,211	1,012	42,119	43,131	103,342		
Insurance	42,887	16,345	11,010	70,242	4,878	9,570	14,448	84,690		
Travel	24,451	12,857	12,181	49,489	434	11,972	12,406	61,895		
Supplies and maintenance	26,145	13,169	8,620	47,934	2,757	6,007	8,764	56,698		
Direct mail costs	43	16	11	70	5	55,000	55,005	55,075		
Advertising and promotion	-	1,181	44,673	45,854	-	-	-	45,854		
Golf tournament	-	-	-	-	-	33,097	33,097	33,097		
Annual dinner	-	-	-	-	-	29,929	29,929	29,929		
Depreciation	12,905	4,918	3,313	21,136	1,468	2,879	4,347	25,483		
Telephone	11,250	6,497	3,063	20,810	872	3,207	4,079	24,889		
Utilities	9,939	3,788	2,551	16,278	1,130	2,218	3,348	19,626		
Miscellaneous	8,716	3,411	2,298	14,425	1,018	1,997	3,015	17,440		
Postage	5,177	2,049	2,134	9,360	589	932	1,521	10,881		
Dues and subscriptions	1,543	846	6,111	8,500	103	746	849	9,349		
Annuity expense	-	-	-	-	-	6,107	6,107	6,107		
Adoption home study	-	-	761	761	-	-	-	761		
	\$1,264,172	\$ 572,679	\$ 319,162	\$2,156,013	\$ 106,540	\$ 386,803	\$ 493,343	\$2,649,356		

See accompanying notes.

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE) OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008

	Foster Care and Parental Education	Maternity Care and Adoption	Total Program	Management and General	Fundraising	Total Supporting	Grand Total
	\$	\$	\$	\$	\$	\$	\$
Salaries and related expenses	689,572	205,648	1,239,930	80,780	189,191	269,971	1,509,901
Legal and professional	8,353	13,794	419,182	978	45,583	46,561	465,743
Psychiatric and clinical expenses	244,566	-	244,566	-	-	-	244,566
Support payments - foster care	-	-	194,082	-	-	-	194,082
Direct mail costs	-	-	-	-	86,737	86,737	86,737
Insurance	38,841	11,584	69,841	4,550	10,657	15,207	85,048
Travel	31,736	12,855	61,470	673	7,043	7,716	69,186
Golf tournament	-	-	-	-	46,794	46,794	46,794
Advertising and promotion	-	46,178	46,772	-	-	-	46,772
Supplies and maintenance	18,718	5,977	35,927	2,221	6,979	9,200	45,127
Depreciation	16,569	4,941	29,793	1,941	4,546	6,487	36,280
Annual dinner	-	-	-	-	32,049	32,049	32,049
Utilities	9,813	2,927	17,646	1,150	2,692	3,842	21,488
Telephone	7,000	2,312	17,207	717	3,215	3,932	21,139
Miscellaneous	8,185	2,470	14,796	970	2,273	3,243	18,039
Postage	4,760	3,732	10,960	552	1,432	1,984	12,944
Dues and subscriptions	2,899	5,204	9,796	389	1,203	1,592	11,388
Annuity expense	-	-	-	-	6,415	6,415	6,415
Adoption home study	-	2,604	2,604	-	-	-	2,604
	<u>\$ 1,081,012</u>	<u>\$ 320,226</u>	<u>\$ 2,414,572</u>	<u>\$ 94,921</u>	<u>\$ 446,809</u>	<u>\$ 541,730</u>	<u>\$ 2,956,302</u>

See accompanying notes.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 1 – NATURE OF OPERATIONS

The Association for Guidance, Aid, Placement and Empathy (AGAPE) of Nashville (the "Association") is a licensed, independent, nonprofit, family service agency providing (1) an educational program for teaching good family life and mental health; (2) counseling services for troubled marriages, family systems and individuals; and (3) children services through foster care, placing children for adoption and group experiences for children. The Association is supported primarily by contributions from individuals, congregations of the churches of Christ, and corporations.

The financial statements reflect only the activities for which the Association is directly involved in the receipt and expending of funds and do not include indirect assistance to the Association's clients through other programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association are presented on the accrual basis. The significant accounting policies followed are described below:

Accounting Standards Codification

The Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC had no effect on the Association's financial position, change in net assets, or cash flows.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported 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 the Association and/or passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association.

All contributions are considered to be available for unrestricted use unless specifically restricted by

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted.

Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. During the years ended December 31, 2009 and 2008, the Association maintained deposits in financial institutions which, at times, exceeded federally insured limits. The Association has not experienced any losses in such accounts. At December 31, 2009 and 2008, the Association had no balances in excess of federally insured limits.

Investments

According to the Not-for-Profit topic of the FASB ASC, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are recognized in the statements of activities for the years ended December 31, 2009 and 2008. Fair values are based on quoted market price on the last business day of the fiscal year.

Gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets and ordinary income from investments are accounted for in the unrestricted and temporarily restricted funds unless permanently restricted by the donor.

Fair Value Measurements

The Association has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Receivables and Credit Policy

Accounts receivable for counseling services are uncollateralized client obligations due at the time the service is provided. Certain clients have been granted extended payment terms. Late fees or interest charges are not assessed on delinquent accounts. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management’s best estimate of the amounts that will not be collected.

Pledges receivable are recorded when an unconditional promise is received that a future donation will occur. No discounts have been recorded on the pledges receivable that are due within one year.

Receivables from the State of Tennessee for foster care, adoption or counseling services are recorded when earned. No allowance has been recorded because management believes the receivables are fully collectible.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their estimated fair value at the date of the gift. Depreciation is provided over the assets’ estimated useful lives using the straight-line method. Estimated useful lives for the various classes of assets are as follows:

Buildings and improvements	4 - 40 years
Furniture and equipment	3 - 7 years
Transportation equipment	5 years

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the statements of activities.

Charitable Gift Annuities

The Association has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Association is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years. A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value for agreements where the Association is trustee. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. The portion of the funds attributable to the present value of the future benefits to be received by the Association was recorded in the statements of activities as unrestricted contributions in the periods the funds were received. On an annual basis, the Association revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions.

Income Taxes

The Association is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes is included in the financial statements.

Revenue Recognition

Cash contributions are recognized as revenue when received.

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Service revenue is recognized at the time the services are provided.

In-kind contributions are recorded at fair value at the date of donation.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation of Long-Lived Assets

The carrying values of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Restricted Endowment Funds

The Uniform Prudent Management Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The Not-for-Profit topic of the FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the organization’s net asset classification of donor-restricted endowment funds, a description of the organization’s policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization’s endowment investment policies, and additional disclosures not previously required.

Recently Adopted Accounting Standards

On January 1, 2009 the Association adopted FASB ASC 740-10-25 paragraphs 5 through 17, “Income Taxes” (“FASB ASC 740”). The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards (Continued)

is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. FASB ASC 740 must be applied to all existing tax positions upon initial adoption. Adoption of this pronouncement had no impact on the Association’s financial condition or results of operations. Tax years that remain open for examination include years ended December 31, 2006 through December 31, 2009.

NOTE 3 – CREDIT RISK AND OTHER CONCENTRATIONS

The Association utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the statements of financial position.

NOTE 4 – INVESTMENTS

A summary of investments as of December 31 is as follows:

	2009 Quoted Prices in Active Markets for Identical Assets (Level 1)	2008 Quoted Prices in Active Markets for Identical Assets (Level 1)
Cash and short-term investments	\$ 234,122	\$ 256,450
Mutual funds	68,777	31,100
Marketable equity securities	2,077,045	1,784,431
Corporate bonds	763,905	600,696
Government securities	<u>844,326</u>	<u>933,909</u>
	<u>\$ 3,988,175</u>	<u>\$ 3,606,586</u>

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 4 – INVESTMENTS (Continued)

The following schedule summarizes the net investment income (loss) in the statements of activities for December 31:

	<u>2009</u>	<u>2008</u>
Dividend income	\$ 45,329	\$ 57,471
Interest income	75,202	77,135
Net gain (loss) on investments	534,797	(1,226,878)
Investment expenses	<u>(73,887)</u>	<u>(54,102)</u>
	<u>\$ 581,441</u>	<u>\$ (1,146,374)</u>

Net gain (loss) on investment is presented in the accompanying statements of activities as follows:

	<u>2009</u>	<u>2008</u>
Unrestricted gain (loss) on investment	\$ 483,777	\$ (931,933)
Temporarily restricted gain (loss) on investment	<u>97,664</u>	<u>(214,441)</u>
	<u>\$ 581,441</u>	<u>\$ (1,146,374)</u>

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31 is as follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 139,790	\$ 139,790
Buildings and improvements	801,258	801,258
Furniture and equipment	196,314	227,364
Transportation equipment	<u>23,556</u>	<u>23,556</u>
	1,160,918	1,191,968
Accumulated depreciation	<u>(573,647)</u>	<u>(579,715)</u>
	<u>\$ 587,271</u>	<u>\$ 612,253</u>

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 6 – ANNUITIES PAYABLE

The Association has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Association is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years. There were no such gifts received during 2009 and 2008. The present value of the estimated future payments (\$67,039 and \$70,952 at December 31, 2009 and 2008, respectively) has been recorded as a liability in the accompanying statements of financial position. The Association maintains investments with a fair market value at December 31, 2009 and 2008 of \$71,916 and \$71,036, respectively, with which to satisfy this obligation. According to the terms of the agreements, the Association is required to make quarterly payments totaling \$2,738.

NOTE 7 – NET ASSETS

The Board of Directors has designated that certain types of support received not be used for current operating purposes. Such designation may be terminated at the discretion of the Board and does not represent donor restrictions. A summary of unrestricted net assets at December 31 is as follows:

	2009	2008
Board-designated:		
Heffington	\$ 141,247	\$ 156,870
Kresge Foundation	95,462	106,022
Estate gifts	841,510	925,244
	1,078,219	1,188,136
Undesignated	2,438,314	2,142,327
	\$ 3,516,533	\$ 3,330,463

Temporarily restricted net assets of \$162,515 and \$64,851 at December 31, 2009 and 2008, respectively, consist of investment income from permanently restricted net assets and is to be used for the care of special needs children.

Permanently restricted net assets of \$969,767 and \$969,242 at December 31, 2009 and 2008, respectively, consist of investments in perpetuity, the income from which is expendable to support the care of special needs children.

NOTE 8 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS

The Association's endowment consists of donor restricted gifts held in investment accounts. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 8 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SPMIFA.

Changes in Endowment Net Assets for the Year Ended December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 64,851	\$ 969,242	\$ 1,034,093
Investment return:				
Investment income	-	7,835	-	7,835
Net depreciation (realized and unrealized)	-	89,829	-	89,829
Total investment return	-	97,664	-	97,664
Contributions	-	-	525	525
Endowment net assets, end of year	\$ -	\$ 162,515	\$ 969,767	\$ 1,132,282

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 8 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 279,292	\$ 966,117	\$ 1,245,409
Investment return:				
Investment income	-	15,059	-	15,059
Net depreciation (realized and unrealized)	-	(229,500)	-	(229,500)
Total investment return	-	(214,441)	-	(214,441)
Contributions	-	-	3,125	3,125
Endowment net assets, end of year	\$ -	\$ 64,851	\$ 969,242	\$ 1,034,093

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA required the Association to retain as a fund of perpetual duration. However, there were no such deficiencies as of December 31, 2009 and 2008.

Endowment Investment Policy and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed inflation by 4 percent while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 8 – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Strategies Employed for Achieving Investment Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of appropriating for distribution each year 5 percent or less of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 9 – STATE CONTRACTS

The Association has entered into reimbursement agreements with the State of Tennessee in order to receive compensation for providing foster care to regular and medically fragile children as well as providing placement and evaluation services for children in state foster care. Revenues under these agreements amounted to \$59,154 in 2009 and \$635,221 in 2008 and are included in foster care support and professional service fees revenues in the accompanying statements of activities. The foster care contract agreement expired on June 30, 2009 and the permanency services contract agreement expires on June 30, 2013.

NOTE 10 – RETIREMENT PLAN

The Association sponsors a defined contribution retirement plan for its employees, which was established under the provisions of Internal Revenue Code Section 403(b). In order to participate in the plan, an employee must be 21 years old and have six months of service. Employee contributions of up to 5% of wages are matched by the Association. The Association's matching contributions of \$49,586 in 2009 and \$49,525 in 2008 are included in salary and related expenses in the accompanying statements of functional expenses.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT
AND EMPATHY (AGAPE) OF NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008**

NOTE 11 – ADVERTISING EXPENSES

The Association's advertising efforts involved television, radio, magazine and yellow page advertisements to the general public. Costs associated with the advertising totaled \$45,854 and \$46,772 for 2009 and 2008, respectively, and are included in adoption and foster care expenses in the accompanying statements of activities.

NOTE 12 – CONTINGENT LIABILITIES

The Association is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material adverse effect on the Association's financial position.

NOTE 13 – LINE OF CREDIT

During 2008, the Association renewed its revolving line of credit agreement with a financial institution. The agreement allows maximum borrowings of \$100,000 with interest payable monthly at the prime rate. The line is secured by all assets of the Association. Any amounts outstanding are payable on demand. There were no amounts outstanding at December 31, 2009 and 2008.

NOTE 14 – SUBSEQUENT EVENTS

The Association evaluated subsequent events through June 8, 2010 when these financial statements were available to be issued. The Foundation is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.