

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

**FINANCIAL STATEMENTS  
AND SCHEDULES**

**December 31, 2007**

**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 statement of financial position of The Association for Guidance, Aid, Placement and Empathy (AGAPE) of Nashville (a nonprofit organization) as of December 31, 2007, and for the related statements of activities, cash flows and functional expenses for the year 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 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 The Association for Guidance, Aid, Placement and Empathy (AGAPE) of Nashville as of December 31, 2007, 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.

*Fraser, Dean & Howard, PLLC*

May 27, 2008

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT  
AND EMPATHY (AGAPE) OF NASHVILLE  
STATEMENT OF FINANCIAL POSITION  
December 31, 2007**

**Assets**

Current assets:	
Cash	\$ 194,089
Accounts and pledges receivable	99,503
State of Tennessee contract services receivable	86,017
Prepaid expenses	<u>28,369</u>
Total current assets	407,978
Property and equipment, net	647,329
Investments	<u>4,863,841</u>
	<u><u>\$ 5,919,148</u></u>

**Liabilities and Net Assets**

Current liabilities:	
Accounts payable	\$ 58,094
Accrued expenses	55,580
Current portion of annuity payable	<u>4,271</u>
Total current liabilities	117,945
Annuity payable, excluding current portion	<u>70,285</u>
Total liabilities	<u>188,230</u>
Net assets:	
Unrestricted	4,485,509
Temporarily restricted	279,292
Permanently restricted	<u>966,117</u>
Total net assets	<u>5,730,918</u>
Total liabilities and net assets	<u><u>\$ 5,919,148</u></u>

See accompanying notes.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT  
AND EMPATHY (AGAPE) OF NASHVILLE  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2007**

Changes in unrestricted net assets:	
Public support:	
Individual support	\$ 708,866
Congregational support	239,601
Corporate support	241,780
Estate gifts	125,130
Memorial gifts	<u>24,471</u>
Total public support	<u>1,339,848</u>
Service revenue:	
Foster care support	135,943
Adoption fees	83,750
Professional services fees	436,822
Counseling fees	<u>702,493</u>
Total service revenue	<u>1,359,008</u>
Other revenue and gains:	
Investment income	358,430
Miscellaneous income	<u>277</u>
Total other revenue and gains	<u>358,707</u>
Total public support, service and other revenue and gains	<u>3,057,563</u>
Expenses:	
Program services	2,305,737
Supporting services	<u>447,793</u>
Total expenses	<u>2,753,530</u>
Increase in unrestricted net assets	<u>304,033</u>
Changes in temporarily restricted net assets:	
Investment income	<u>90,285</u>
Increase in temporarily restricted assets	<u>90,285</u>
Changes in permanently restricted net assets:	
Contributions to endowment fund	<u>500</u>
Increase in permanently restricted net assets	<u>500</u>
Increase in net assets	394,818
Net assets at beginning of year	<u>5,336,100</u>
Net assets at end of year	<u><u>\$ 5,730,918</u></u>

See accompanying notes.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT  
AND EMPATHY (AGAPE) OF NASHVILLE  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2007**

Cash flows from operating activities:	
Change in net assets	\$ 394,818
Adjustments to reconcile change in net assets to cash flows used in operating activities:	
Depreciation	38,698
Net gain on investments	(364,318)
Donated stock	(8,713)
Permanently restricted contributions	(500)
Changes in operating assets and liabilities:	
Accounts and pledges receivable	(78,038)
State of Tennessee contract services receivable	3,220
Prepaid expenses	2,508
Accounts payable	(28,741)
Accrued expenses	673
Annuity payable	4,081
	<u>4,081</u>
Net cash used in operating activities	<u>(36,312)</u>
Cash flows from investing activities:	
Purchases of property and equipment	(7,327)
Proceeds from sale of investments	3,497,593
Purchases of investments	(3,576,624)
	<u>(86,358)</u>
Net cash used in investing activities	<u>(86,358)</u>
Cash flows from financing activities - Permanently restricted contributions	<u>500</u>
Net decrease in cash	(122,170)
Cash at beginning of year	<u>316,259</u>
Cash at end of year	<u><u>\$ 194,089</u></u>

See accompanying notes.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE) OF NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2007

	Foster		Maternity		Management		Total		Grand	
	Counseling	Care and Parental Education	Care and Adoption	Program	General	Fundraising	Supporting	Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and related expenses	670,141	362,309	199,023	1,231,473	61,450	159,799	221,249	1,452,722		
Legal and professional	9,029	349,709	10,872	369,610	828	46,328	47,156	416,766		
Support payments - foster care	-	207,401	-	207,401	-	-	-	207,401		
Psychiatric and clinical expenses	189,722	-	-	189,722	-	-	-	189,722		
Insurance	35,319	19,095	10,489	64,903	3,238	8,422	11,660	76,563		
Travel	25,170	17,268	13,453	55,891	377	15,116	15,493	71,384		
Supplies and maintenance	19,863	12,621	6,183	38,667	1,525	11,287	12,812	51,479		
Advertising and promotion	-	390	44,605	44,995	-	-	-	44,995		
Depreciation	17,851	9,651	5,302	32,804	1,637	4,257	5,894	38,698		
Direct mail costs	479	259	142	880	44	36,745	36,789	37,669		
Golf tournament	-	-	-	-	-	35,749	35,749	35,749		
Annual dinner	-	-	-	-	-	29,943	29,943	29,943		
Miscellaneous	11,382	6,299	3,667	21,348	1,068	2,778	3,846	25,194		
Annuity expense	-	-	-	-	-	19,764	19,764	19,764		
Utilities	7,899	4,271	2,346	14,516	724	1,884	2,608	17,124		
Telephone	4,967	4,570	3,345	12,882	414	2,185	2,599	15,481		
Postage	5,588	3,101	1,824	10,513	512	1,374	1,886	12,399		
Dues and subscriptions	344	-	4,980	5,324	-	345	345	5,669		
Adoption home study	-	-	4,808	4,808	-	-	-	4,808		
	<u>997,754</u>	<u>996,944</u>	<u>311,039</u>	<u>2,305,737</u>	<u>71,817</u>	<u>375,976</u>	<u>447,793</u>	<u>2,753,530</u>		

See accompanying notes to the financial statements

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT  
AND EMPATHY (AGAPE) OF NASHVILLE  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007**

**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:

**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 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.



**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT  
AND EMPATHY (AGAPE) OF NASHVILLE  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
December 31, 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash Equivalents**

For purposes of the statement 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.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are shown at their estimated fair values in the statement of financial position. All gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Dividends, interest and other investment income are reported in the period earned as increases in unrestricted net assets unless the use of the assets received is limited by donor imposed restrictions.

**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.

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 statement of activities.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT  
AND EMPATHY (AGAPE) OF NASHVILLE  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
December 31, 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 is recorded in the statement of activities as an unrestricted contribution in the period 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 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 a risk-free 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.

**Long-Lived Assets**

The carrying values of long-lived assets are reviewed whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If this review indicates that the carrying value of an asset will not be recoverable, as determined based on the undiscounted cash flows of the operating entity or asset over the remaining amortization period, the carrying value of the asset will be reduced to its fair value.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT  
AND EMPATHY (AGAPE) OF NASHVILLE  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
December 31, 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**NOTE 3 – CREDIT RISK AND OTHER CONCENTRATIONS**

The Association generally maintains cash on deposit at banks in excess of federally insured amounts. The Association has not experienced any losses in such accounts and management believes the Association is not exposed to any significant credit risk related to cash.

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 statement of financial position.

**NOTE 4 – INVESTMENTS**

A summary of investments as of December 31, 2007 is as follows:

Cash and short-term investments	\$ 189,398
Mutual funds	90,354
Marketable equity securities	2,968,861
Corporate bonds	554,909
Government securities	<u>1,060,319</u>
	<u>\$ 4,863,841</u>

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT  
AND EMPATHY (AGAPE) OF NASHVILLE  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
December 31, 2007**

**NOTE 4 – INVESTMENTS (Continued)**

The following schedule summarizes the net investment income in the statement of activities for 2007:

Dividend income	\$ 61,629
Interest income	79,085
Net gain on investments	364,318
Investment expenses	<u>(56,317)</u>
	<u>\$ 448,715</u>

Net investment income is presented in the accompanying statement of activities as follows:

Unrestricted investment income	\$ 358,430
Temporarily restricted investment income	<u>90,285</u>
	<u>\$ 448,715</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

A summary of property and equipment as of December 31, 2007 is as follows:

Land	\$ 139,790
Buildings and improvements	801,258
Furniture and equipment	226,160
Transportation equipment	<u>23,556</u>
	1,190,764
Accumulated depreciation	<u>(543,435)</u>
	<u>\$ 647,329</u>

**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 during 2007. The present value of the estimated future payments (\$74,556 at December 31, 2007) has been recorded as a liability in the accompanying statement of financial position. The Association maintains investments with a fair market value at December 31, 2007 of \$109,812 with which to satisfy this obligation. According to the terms of the agreements, the Association is required to make quarterly payments totaling \$2,738.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT  
AND EMPATHY (AGAPE) OF NASHVILLE  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
December 31, 2007**

**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, 2007 is as follows:

Board-designated:		
Heffington	\$	156,870
Kresge Foundation		106,022
Estate gifts		<u>925,244</u>
		1,188,136
Undesignated		<u>3,297,373</u>
		<u>\$ 4,485,509</u>

Temporarily restricted net assets of \$279,292 at December 31, 2007 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 \$966,117 at December 31, 2007 consist of investments in perpetuity, the income from which is expendable to support the care of special needs children.

**NOTE 8 – 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 \$569,805 in 2007 and are included in foster care support and professional service fees revenues in the accompanying statement of activities. The contract agreements expire on June 30, 2008 and the Association is currently in the process of renegotiating such contracts.

**NOTE 9 – 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 \$46,829 in 2007 are included in salary and related expenses in the accompanying statement of functional expenses.

**THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)  
December 31, 2007**

**NOTE 10 – 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 \$44,995 for 2007 and are included in adoption and foster care expenses in the accompanying statement of activities.

**NOTE 11 – 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 12 – SUBSEQUENT EVENT**

Subsequent to December 31, 2007, The Association entered into a 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.