

BETHLEHEM CENTERS OF NASHVILLE

FINANCIAL STATEMENTS

June 30, 2008 and 2007

BETHLEHEM CENTERS OF NASHVILLE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Bethlehem Centers of Nashville
Nashville, Tennessee

We have audited the accompanying statements of financial position of Bethlehem Centers of Nashville (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 Bethlehem Centers of Nashville as of June 30, 2008 and 2007, 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

December 22, 2008

BETHLEHEM CENTERS OF NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	Assets	
	2008	2007
Current assets:		
Cash and cash equivalents	\$ 6,068	\$ 35,896
Investments	11,261	6,462
Accounts receivable	98,098	116,030
Unconditional promises to give	32,298	28,823
Prepaid expenses and other	1,050	25,667
Total current assets	148,775	212,878
Camp Dogwood renovations, net	53,355	58,535
Property and equipment, net	410,703	420,030
Total assets	<u>\$ 612,833</u>	<u>\$ 691,443</u>
Liabilities and Net Assets		
Current liabilities:		
Checks issued in excess of deposits	\$ 14,319	\$ 21,482
Accounts payable and accrued expenses	96,764	99,249
Line of credit	239,167	40,351
Note payable	-	27,331
Total current liabilities	350,250	188,413
Net assets:		
Unrestricted	182,370	426,292
Temporarily restricted	80,213	76,738
Total net assets	262,583	503,030
Total liabilities and net assets	<u>\$ 612,833</u>	<u>\$ 691,443</u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Program service fees	\$ 593,406	\$ -	\$ 593,406
Contributions and grants	426,565	-	426,565
United Way	266,046	32,298	298,344
Federal and state awards	219,227	-	219,227
Other	45,840	-	45,840
Sponsoring organization	44,918	-	44,918
Special events and fundraising	2,000	-	2,000
	<u>1,598,002</u>	<u>32,298</u>	<u>1,630,300</u>
Net assets released from restrictions	<u>28,823</u>	<u>(28,823)</u>	<u>-</u>
Total support and revenue	<u>1,626,825</u>	<u>3,475</u>	<u>1,630,300</u>
Expenses:			
Program services:			
Child development	1,035,700	-	1,035,700
Youth development	232,363	-	232,363
Adult development	194,163	-	194,163
Community outreach	65,934	-	65,934
	<u>1,528,160</u>	<u>-</u>	<u>1,528,160</u>
Supporting services:			
Marketing and development	139,880	-	139,880
Management and general	202,707	-	202,707
	<u>342,587</u>	<u>-</u>	<u>342,587</u>
Total expenses	<u>1,870,747</u>	<u>-</u>	<u>1,870,747</u>
Change in net assets	(243,922)	3,475	(240,447)
Net assets at beginning of year	<u>426,292</u>	<u>76,738</u>	<u>503,030</u>
Net assets at end of year	<u>\$ 182,370</u>	<u>\$ 80,213</u>	<u>\$ 262,583</u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 636,529	\$ 1,631	\$ 638,160
Program service fees	565,491	-	565,491
Federal and state awards	412,865	-	412,865
United Way	241,634	28,823	270,457
Sponsoring organization	59,596	-	59,596
Other	38,696	-	38,696
Special events and fundraising	9,924	-	9,924
	<u>1,964,735</u>	<u>30,454</u>	<u>1,995,189</u>
Net assets released from restrictions	<u>69,768</u>	<u>(69,768)</u>	<u>-</u>
Total support and revenue	<u>2,034,503</u>	<u>(39,314)</u>	<u>1,995,189</u>
Expenses:			
Program services:			
Child development	979,529	-	979,529
Youth development	206,414	-	206,414
Adult development	320,932	-	320,932
Community outreach	63,442	-	63,442
	<u>1,570,317</u>	<u>-</u>	<u>1,570,317</u>
Supporting services:			
Marketing and development	110,754	-	110,754
Management and general	171,922	-	171,922
	<u>282,676</u>	<u>-</u>	<u>282,676</u>
Total expenses	<u>1,852,993</u>	<u>-</u>	<u>1,852,993</u>
Change in net assets	181,510	(39,314)	142,196
Net assets at beginning of year	<u>244,782</u>	<u>116,052</u>	<u>360,834</u>
Net assets at end of year	<u><u>\$ 426,292</u></u>	<u><u>\$ 76,738</u></u>	<u><u>\$ 503,030</u></u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2008

	Program Services					Marketing and Development	Management and General	Total
	Child Development	Youth Development	Adult Development	Community Outreach	Total Program Services			
Salaries	\$ 606,593	\$ 96,329	\$ 124,032	\$ 33,732	\$ 860,686	\$ 79,755	\$ 55,112	\$ 995,553
Payroll taxes and benefits	108,651	18,295	21,091	3,624	151,661	16,137	10,972	178,770
Total salaries and related expenses	715,244	114,624	145,123	37,356	1,012,347	95,892	66,084	1,174,323
Occupancy	111,361	19,533	19,924	5,634	156,452	13,355	47,219	217,026
Food	89,476	3,833	11,903	361	105,573	103	19	105,695
Contract labor	31,941	49,906	294	742	82,883	4,473	198	87,554
Supplies and materials	36,591	17,258	2,771	13,815	70,435	1,082	590	72,107
Other	12,881	2,035	2,315	1,317	18,548	2,915	5,442	26,905
Insurance	13,156	1,859	2,357	606	17,978	1,555	5,585	25,118
Travel	2,707	15,836	4,968	49	23,560	348	448	24,356
Professional fees	4,334	695	881	226	6,136	11,039	2,087	19,262
Telephone	8,892	1,577	1,674	258	12,401	623	2,231	15,255
Printing and reproduction	2,924	1,093	712	167	4,896	5,590	1,340	11,826
Interest expense	-	-	-	-	-	-	9,828	9,828
Equipment rent and maintenance	187	2,223	38	4,182	6,630	25	90	6,745
Vehicles	3,214	515	653	228	4,610	456	1,548	6,614
Conferences and meetings	2,508	1,348	139	99	4,094	1,169	140	5,403
Advertising	284	28	411	894	1,617	23	84	1,724
Fundraising	-	-	-	-	-	1,232	-	1,232
Total nonpersonnel expenses	320,456	117,739	49,040	28,578	515,813	43,988	76,849	636,650
Total before depreciation	1,035,700	232,363	194,163	65,934	1,528,160	139,880	142,933	1,810,973
Depreciation	-	-	-	-	-	-	59,774	59,774
Total expenses	\$1,035,700	\$ 232,363	\$ 194,163	\$ 65,934	\$1,528,160	\$ 139,880	\$ 202,707	\$1,870,747

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2007

	Program Services					Total Program Services	Marketing and Development	Management and General	Total
	Child Development	Youth Development	Adult Development	Community Outreach					
Salaries	\$ 579,071	\$ 82,065	\$ 166,906	\$ 34,043		\$ 862,085	\$ 69,046	\$ 50,419	\$ 981,550
Payroll taxes and benefits	103,676	16,087	31,378	3,598		154,739	8,783	9,641	173,163
Total salaries and related expenses	682,747	98,152	198,284	37,641		1,016,824	77,829	60,060	1,154,713
Occupancy	91,549	9,534	18,261	3,823		123,167	7,461	28,796	159,424
Contract labor	34,068	39,307	70,884	940		145,199	6,144	316	151,659
Supplies and materials	42,431	40,133	5,180	17,210		104,954	4,252	1,570	110,776
Food	79,866	35	11,879	156		91,936	-	63	91,999
Other	12,675	2,087	4,070	1,268		20,100	3,737	4,766	28,603
Insurance	10,630	1,506	3,149	625		15,910	1,267	4,966	22,143
Travel	2,332	9,888	3,794	18		16,032	129	95	16,256
Telephone	9,253	1,400	2,060	773		13,486	646	1,943	16,075
Printing and reproduction	1,901	315	586	480		3,282	7,493	888	11,663
Conferences and meetings	5,210	3,009	980	154		9,353	476	1,024	10,853
Professional fees	3,994	566	1,183	235		5,978	476	1,866	8,320
Interest expense	-	-	-	-		-	-	5,948	5,948
Vehicles	1,402	323	240	54		2,019	89	348	2,456
Equipment rent and maintenance	1,055	100	209	41		1,405	84	330	1,819
Advertising	346	49	102	20		517	541	161	1,219
Contributions	-	-	50	-		50	-	363	413
Fundraising	70	10	21	4		105	130	32	267
Total nonpersonnel expenses	296,782	108,262	122,648	25,801		553,493	32,925	53,475	639,893
Total before depreciation	979,529	206,414	320,932	63,442		1,570,317	110,754	113,535	1,794,606
Depreciation	-	-	-	-		-	-	58,387	58,387
Total expenses	\$ 979,529	\$ 206,414	\$ 320,932	\$ 63,442		\$1,570,317	\$ 110,754	\$ 171,922	\$1,852,993

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (240,447)	\$ 142,196
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	59,774	58,387
Changes in operating assets and liabilities:		
Accounts receivable	17,932	17,717
Unconditional promises to give	(3,475)	10,704
Prepaid expenses and other	24,617	(5,417)
Accounts payable and accrued expenses	<u>(2,485)</u>	<u>(21,904)</u>
Net cash (used in) provided by operating activities	<u>(144,084)</u>	<u>201,683</u>
Cash flows from investing activities:		
Purchase of property and equipment	(45,267)	(60,090)
Purchase of investments	<u>(4,799)</u>	<u>-</u>
Net cash used in investing activities	<u>(50,066)</u>	<u>(60,090)</u>
Cash flows from financing activities:		
Net (payment on) proceeds from line of credit	198,816	(121,870)
Proceeds from note payable	-	34,222
Principal payments on note payable	<u>(27,331)</u>	<u>(30,516)</u>
Net cash provided by (used in) financing activities	<u>171,485</u>	<u>(118,164)</u>
Net (decrease) increase in cash and cash equivalents	(22,665)	23,429
Cash and cash equivalents at beginning of year	<u>14,414</u>	<u>(9,015)</u>
Cash and cash equivalents at end of year	<u><u>\$ (8,251)</u></u>	<u><u>\$ 14,414</u></u>
Included in the accompanying statements of financial position as follows:		
Cash and cash equivalents	\$ 6,068	\$ 35,896
Checks issued in excess of deposits	<u>(14,319)</u>	<u>(21,482)</u>
	<u><u>\$ (8,251)</u></u>	<u><u>\$ 14,414</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 9,828</u></u>	<u><u>\$ 5,948</u></u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bethlehem Centers of Nashville (the “Organization”) is a not-for-profit corporation that provides programs designed to empower at-risk children and their families, including complete child care services and various educational, preventive and recreational programs. The Organization’s activities are funded from various sources. As a United Methodist Mission Agency, the Organization receives church-related funding and support as well as contributions from foundations and individuals. In addition, the Organization receives support from United Way and participates in grants and awards from governmental agencies and other organizations. A brief description of the Organization’s programs are as follows:

Child Development – serves children of at-risk families by providing quality child care, aftercare and reading programs.

Youth Development – serves at-risk youth by promoting self-esteem, team and job readiness/development, alcohol and drug prevention, and providing academic support and recreational activities.

Adult Development – serves adults of at-risk families by providing workforce development, serves homebound and disabled senior adults by providing meals, and serves senior adults with activities that promote health, wellness and empowerment.

Community Outreach Services – serves at-risk families by providing emergency food boxes, the Christmas Toy Store, educational programs, family counseling, internships, volunteer opportunities, information, advocacy, referrals, and the Family Resource Center.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets 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 Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent during the same fiscal year.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts, and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are reviewed periodically as to their collectibility. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2008 and 2007.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management believes all unconditional promises to give to be collectible at June 30, 2008 and 2007.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method.

Estimated useful lives of all major classes of assets are as follows:

Building and improvements	25 – 40 years
Furniture and equipment	5 – 15 years
Vehicles	5 years

Income Taxes

The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values upon receipt.

During the years ended June 30, 2008 and 2007, the value of contributed services meeting the requirements for recognition in the financial statements was not significant and has not been recorded. The Organization receives a significant amount of donated services from unpaid volunteers who assist in various activities.

Donated Assets

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocated Expenses

For purposes of the statements of functional expenses, certain expenses have been allocated between program and supporting services based on estimates made by management.

Advertising Costs

Advertising costs are generally expensed as incurred. Advertising expense totaled \$1,724 and \$1,219 for the years ended June 30, 2008 and 2007, respectively.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements in order for them to conform with the 2008 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008 and 2007

NOTE 2 – ACCOUNTS RECEIVABLE

At June 30, 2008 and 2007, accounts receivable consist of the following:

	<u>2008</u>	<u>2007</u>
Receivables related to governmental agencies – contracts and grants	\$ 97,348	\$ 113,979
Other	<u>750</u>	<u>2,051</u>
Accounts receivable	<u>\$ 98,098</u>	<u>\$ 116,030</u>

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give represents amounts which are receivable over a period of time. These receivables are deemed to be fully collectible by management and consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 32,298	\$ 28,823
Receivable in one to five years	<u>-</u>	<u>-</u>
Unconditional promises to give	<u>\$ 32,298</u>	<u>\$ 28,823</u>

Unconditional promises to give are primarily from individuals located in the Middle Tennessee area that have made commitments to donate funds to the Organization through the United Way of Middle Tennessee.

NOTE 4 – CAMP DOGWOOD RENOVATIONS, NET

The Organization continues to maintain Camp Dogwood, a 200+ acre property located in Cheatham County, Tennessee. Camp Dogwood is owned by the Womens' Division of the United Methodist Church and leased to the Organization to do mission work. Amounts capitalized for renovation efforts at June 30, 2008 and 2007 amounted to \$77,687. Accumulated depreciation at June 30, 2008 and 2007 amounted to \$24,332 and \$19,152, respectively.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008 and 2007

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30:

	<u>2008</u>	<u>2007</u>
Land	\$ 3,667	\$ 3,667
Buildings and improvements	1,046,937	1,010,049
Furniture and equipment	636,348	628,347
Vehicles	<u>75,044</u>	<u>75,044</u>
	1,761,996	1,717,107
Less accumulated depreciation	<u>(1,351,293)</u>	<u>(1,297,077)</u>
	<u>\$ 410,703</u>	<u>\$ 420,030</u>

NOTE 6 – LINE OF CREDIT

The Organization has a line of credit with a financial institution. Borrowings under this agreement bear interest at the bank's prime rate (5.0% at June 30, 2008) and require monthly payments of interest only based on the outstanding balance with all remaining principal due at maturity. The line of credit was renewed as a term note effective November 2008. The note bears interest at 5.725% per annum and requires eleven consecutive monthly principal and interest payments of \$4,169 beginning December 2008. A final payment is due November 2009 equal to the unpaid principal balance plus accrued and unpaid interest. The note is secured by accounts receivable and a lien on all deposit and investments maintained with the lending financial institution.

NOTE 7 – NOTE PAYABLE

Note payable consists of the following at June 30:

	<u>2008</u>	<u>2007</u>
Note payable – Premium Acceptance Corp.; interest 8%, secured by loss payments, dividends, and gross unearned and return insurance premiums; matured February 2008.	<u>\$ -</u>	<u>\$ 27,331</u>

NOTE 8 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are comprised of the following at June 30:

	<u>2008</u>	<u>2007</u>
United Way designations	\$ 32,298	\$ 28,823
Camp Dogwood	<u>47,915</u>	<u>47,915</u>
Total	<u>\$ 80,213</u>	<u>\$ 76,738</u>

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008 and 2007

NOTE 9 – CONCENTRATIONS AND COMMITMENTS

The Organization receives a substantial amount of its support through United Way, governmental fees and awards, and from private foundations. A significant reduction in the level of this support, if it were to occur, could have a significant effect on the programs and services of the Organization.