BETHLEHEM CENTERS OF NASHVILLE

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2018 and 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

BETHLEHEM CENTERS OF NASHVILLE

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors of
Bethlehem Centers of Nashville
Nashville, Tennessee

We have audited the accompanying financial statements of Bethlehem Centers of Nashville (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Nashville, Tennessee
February 4, 2019

BETHLEHEM CENTERS OF NASHVILLE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 151,385	$ 140,950
Investments	5,671	5,671
Accounts receivable	27,221	15,720
Pledge receivables	-	10,000
Prepaid expenses	4,902	4,066
Total Current Assets	189,179	176,407
Property and equipment, net	123,406	201,437
Total Assets	$ 312,585	$ 377,844
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 26,268	$ 21,107
Total Liabilities	26,268	21,107
Net Assets:		
Unrestricted	286,317	346,737
Temporarily restricted	-	10,000
Total Net Assets	286,317	356,737
Total Liabilities and Net Assets	$ 312,585	$ 377,844

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Contributions and grants			
(includes $8,884 of in-kind)	$ 252,545	$ -	$ 252,545
United Way	97,859	-	97,859
Federal and state awards	94,918	-	94,918
Sponsoring organization	32,708	-	32,708
Other	38,149	-	38,149
	516,179	-	516,179
Net assets released from restrictions	10,000	(10,000)	-
Total Support and Revenues	526,179	(10,000)	516,179
Expenses:			
Program Services:			
Adult development	161,762	-	161,762
Youth development	100,356	-	100,356
Community outreach	71,317	-	71,317
Total Program Services	333,435	-	333,435
Supporting Services:			
Management and general	244,764	-	244,764
Fundraising	8,400	-	8,400
Total Supporting Services	253,164	-	253,164
Total Expenses	586,599	-	586,599
Change in net assets	(60,420)	(10,000)	(70,420)
Net assets at beginning of year	346,737	10,000	356,737
Net assets at end of year	$ 286,317	$ -	$ 286,317

BETHLEHEM CENTERS OF NASHVILLE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Contributions and grants			
(includes $19,646 of in-kind)	$ 337,856	$ 10,000	$ 347,856
United Way	96,470	-	96,470
Federal and state awards	94,204	-	94,204
Sponsoring organization	32,708	-	32,708
Other	39,850	-	39,850
	601,088	10,000	611,088
Net assets released from restrictions	14,753	(14,753)	-
Total Support and Revenues	615,841	(4,753)	611,088
Expenses:			
Program Services:			
Adult development	175,435	-	175,435
Youth development	118,402	-	118,402
Community outreach	60,954	-	60,954
Total Program Services	354,791	-	354,791
Supporting Services:			
Management and general	230,263	-	230,263
Fundraising	8,400	-	8,400
Total Supporting Services	238,663	-	238,663
Total Expenses	593,454	-	593,454
Change in net assets	22,387	(4,753)	17,634
Net assets at beginning of year	324,350	14,753	339,103
Net assets at end of year	$ 346,737	$ 10,000	$ 356,737

BETHLEHEM CENTERS OF NASHVILLE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services			
	Adult Development	Youth Development	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 43,776	$ 62,965	$ 27,476	$ 134,217	$ 31,081	$ 8,400	$ 39,481	$ 173,698
Payroll taxes and benefits	5,785	2,460	1,618	9,863	8,679	-	8,679	18,542
Total Salaries and Related Expenses	49,561	65,425	29,094	144,080	39,760	8,400	48,160	192,240
Occupancy	12,129	15,754	16,482	44,365	20,604	-	20,604	64,969
Supplies and materials	27,606	7,448	10,936	45,990	2,217	-	2,217	48,207
Food	49,471	-	138	49,609	-	-	-	49,609
Professional fees	-	-	-	-	33,852	-	33,852	33,852
Contract labor	10,221	1,870	10,482	22,573	4,240	-	4,240	26,813
In-kind	-	-	-	-	8,884	-	8,884	8,884
Building maintenance and repairs	1,169	1,169	1,169	3,507	20,822	-	20,822	24,329
Insurance	-	430	431	861	12,879	-	12,879	13,740
Other	265	-	105	370	8,189	-	8,189	8,559
Telephone	1,145	2,233	1,145	4,523	1,567	-	1,567	6,090
Service contracts	687	1,237	467	2,391	3,182	-	3,182	5,573
Travel	8,383	2,256	408	11,047	107	-	107	11,154
Office supplies	886	1,127	340	2,353	1,633	-	1,633	3,986
Postage	49	-	-	49	946	-	946	995
Equipment rent and maintenance	120	427	120	667	6,901	-	6,901	7,568
Advertising	-	-	-	-	950	-	950	950
Conferences and meetings	70	980	-	1,050	-	-	-	1,050
Total Nonpersonnel Expenses	112,201	34,931	42,223	189,355	126,973	-	126,973	316,328
Total before Depreciation	161,762	100,356	71,317	333,435	166,733	8,400	175,133	508,568
Depreciation	-	-	-	-	78,031	-	78,031	78,031
Total Expenses	$ 161,762	$ 100,356	$ 71,317	$ 333,435	$ 244,764	$ 8,400	$ 253,164	$ 586,599

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

BETHLEHEM CENTERS OF NASHVILLE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services				Supporting Services			
	Adult Development	Youth Development	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 54,544	$ 71,881	$ 17,025	$ 143,450	$ 31,823	$ 8,400	$ 40,223	$ 183,673
Payroll taxes and benefits	6,646	3,907	1,574	12,127	7,754	-	7,754	19,881
Total Salaries and Related Expenses	61,190	75,788	18,599	155,577	39,577	8,400	47,977	203,554
Occupancy	11,364	16,867	11,364	39,595	23,604	-	23,604	63,199
Supplies and materials	36,643	3,602	8,594	48,839	2,871	-	2,871	51,710
Food	49,793	-	10	49,803	-	-	-	49,803
Professional fees	-	-	-	-	32,746	-	32,746	32,746
Contract labor	8,250	9,915	10,578	28,743	1,080	-	1,080	29,823
In-kind	1,369	4,826	7,365	13,560	6,086	-	6,086	19,646
Building maintenance and repairs	1,382	1,382	1,382	4,146	14,855	-	14,855	19,001
Insurance	-	861	-	861	12,936	-	12,936	13,797
Other	150	150	-	300	6,977	-	6,977	7,277
Telephone	1,167	2,088	1,167	4,422	1,577	-	1,577	5,999
Service contracts	801	1,001	701	2,503	1,745	-	1,745	4,248
Travel	2,331	1,125	562	4,018	-	-	-	4,018
Office supplies	533	318	538	1,389	1,668	-	1,668	3,057
Postage	188	-	94	282	1,057	-	1,057	1,339
Equipment rent and maintenance	214	389	-	603	497	-	497	1,100
Advertising	-	-	-	-	600	-	600	600
Conferences and meetings	60	90	-	150	-	-	-	150
Total Nonpersonnel Expenses	114,245	42,614	42,355	199,214	108,299	-	108,299	307,513
Total before Depreciation	175,435	118,402	60,954	354,791	147,876	8,400	156,276	511,067
Depreciation	-	-	-	-	82,387	-	82,387	82,387
Total Expenses	$ 175,435	$ 118,402	$ 60,954	$ 354,791	$ 230,263	$ 8,400	$ 238,663	$ 593,454

BETHLEHEM CENTERS OF NASHVILLE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (70,420)	$ 17,634
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	78,031	82,387
Changes in operating assets and liabilities:		
Accounts receivable	(11,501)	(4,500)
Pledge receivables	10,000	(10,000)
Prepaid expenses	(836)	(3,821)
Accounts payable and accrued expenses	5,161	7,527
Net cash provided by operating activities	10,435	89,227
Cash flows from investing activities:		
Purchases of property and equipment	-	(15,353)
Net cash used in investing activities	-	(15,353)
Net increase in cash and cash equivalents	10,435	73,874
Cash and cash equivalents at beginning of year	140,950	67,076
Cash and cash equivalents at end of year	$ 151,385	$ 140,950

Note 1—Nature of operations and summary of significant accounting policies

Bethlehem Centers of Nashville (the “Organization”) is a nonprofit corporation that provides programs designed to empower at-risk children and adults. 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:

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.

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.

Community Outreach – 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 financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Under GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows.

Under these provisions, net assets and 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 statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets as of June 30, 2018 and 2017.

Contributions which are restricted for specific programs are reflected as unrestricted revenue if the funds are received and spent during the same fiscal year.

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.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Accounts Receivable – Accounts receivable are reviewed periodically as to their collectability. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2018 and 2017.

Contributions – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Pledge Receivables – Pledges due in the next year are reflected as current pledges receivable and are recorded at their net realizable value.

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.

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification guidance clarifying the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit 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. There are no tax penalties or interest reported in the accompanying financial statements.

Accounting Policies for Future Pronouncements – In August 2016, FASB issued a new accounting standard, Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statements of activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU will be effective for the Organization on July 1, 2018. Early adoption is permitted. The Organization is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

Note 1—Nature of operations and summary of significant accounting policies (continued)

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the fiscal year ending June 30, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending June 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending June 30, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Donated Materials and Services – Donated materials and vendor services, if any, are reflected as contributions and expenses in the accompanying statements of activities at their estimated values upon receipt.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in various activities. During the years ended June 30, 2018 and 2017, the value of contributed services from individuals meeting the requirements for recognition in the financial statements was not significant and has not been recorded.

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 GAAP 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.

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.

Subsequent Events – The Organization evaluated subsequent events through February 4, 2019 when these financial statements were available to be issued.

Note 2—Accounts receivable

Accounts receivable consist of the following at June 30:

	2018	2017
Receivables related to governmental agencies - contracts and grants	$ 27,221	$ 15,720

Note 3—Property and equipment

Property and equipment consists of the following at June 30:

	2018	2017
Buildings and improvements	$ 1,410,726	$ 1,410,726
Furniture and equipment	538,327	538,327
Vehicles	8,269	8,269
	1,957,322	1,957,322
Less accumulated depreciation	(1,833,916)	(1,755,885)
	$ 123,406	$ 201,437

Land, parking lots, and certain structures are leased through December 2027 from the Women's Division of the General Board of Global Ministries at no cost to the Organization.

Note 4—Note payable

The Organization has a line of credit agreement with a financial institution that allows for borrowings up to $50,000. The line of credit bears interest at a variable rate based on the prime rate (6.7% at June 30, 2018); is secured by balances held by the lender; and matures at any time in lender's sole discretion. No balances were outstanding on this line of credit as of June 30, 2018 and 2017.

Note 5—Restrictions on net assets

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

	2018	2017
STARS afterschool program - pledge receivable	$ -	$ 10,000
	$ -	$ 10,000

Note 6—Concentrations

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