

**BETHLEHEM CENTERS OF NASHVILLE**

**FINANCIAL STATEMENTS**

**June 30, 2013 and 2012**

# **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 financial statements of Bethlehem Centers of Nashville (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, 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, 2013 and 2012, 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.

*Frosin, Den & Hand, PLLC*

Nashville, Tennessee  
January 28, 2014

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2013 and 2012**

	<b>Assets</b>	
	<b>2013</b>	<b>2012</b>
Current assets:		
Cash and cash equivalents	\$ 156,904	\$ 25,193
Investments	5,671	12,133
Accounts receivable	46,834	57,915
Prepaid expenses	3,111	-
Total current assets	212,520	95,241
Property and equipment, net	359,704	405,047
Total assets	<u>\$ 572,224</u>	<u>\$ 500,288</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 79,497	\$ 123,798
Notes payable, current portion	2,824	11,902
Total current liabilities	82,321	135,700
Notes payable, less current portion	50,675	53,432
Total liabilities	132,996	189,132
Net assets:		
Unrestricted	339,813	297,798
Temporarily restricted	99,415	13,358
Total net assets	439,228	311,156
Total liabilities and net assets	<u>\$ 572,224</u>	<u>\$ 500,288</u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 357,421	\$ 27,915	\$ 385,336
Program service fees	368,749	-	368,749
United Way	229,063	-	229,063
Federal and state awards	175,068	-	175,068
Sponsoring organization	32,908	71,500	104,408
Other	19,628	-	19,628
	<u>1,182,837</u>	<u>99,415</u>	<u>1,282,252</u>
Net assets released from restrictions	<u>13,358</u>	<u>(13,358)</u>	<u>-</u>
Total support and revenue	<u>1,196,195</u>	<u>86,057</u>	<u>1,282,252</u>
Expenses:			
Program services:			
Child development	604,038	-	604,038
Youth development	132,718	-	132,718
Adult development	126,531	-	126,531
Community outreach	32,987	-	32,987
Shopping Bag	37	-	37
Total program services	<u>896,311</u>	<u>-</u>	<u>896,311</u>
Supporting services:			
Management and general	<u>257,869</u>	<u>-</u>	<u>257,869</u>
Total expenses	<u>1,154,180</u>	<u>-</u>	<u>1,154,180</u>
Change in net assets	42,015	86,057	128,072
Net assets at beginning of year	<u>297,798</u>	<u>13,358</u>	<u>311,156</u>
Net assets at end of year	<u><u>\$ 339,813</u></u>	<u><u>\$ 99,415</u></u>	<u><u>\$ 439,228</u></u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Program service fees	\$ 437,001	\$ -	\$ 437,001
Contributions and grants	332,955	-	332,955
United Way	236,226	-	236,226
Federal and state awards	158,212	-	158,212
Sponsoring organization	47,708	13,358	61,066
Other	58,150	-	58,150
Special events	25,603	-	25,603
	<u>1,295,855</u>	<u>13,358</u>	<u>1,309,213</u>
Net assets released from restrictions	<u>34,544</u>	<u>(34,544)</u>	<u>-</u>
Total support and revenue	<u>1,330,399</u>	<u>(21,186)</u>	<u>1,309,213</u>
Expenses:			
Program services:			
Child development	778,929	-	778,929
Youth development	139,370	-	139,370
Adult development	113,336	-	113,336
Community outreach	47,830	-	47,830
Shopping Bag	14,720	-	14,720
	<u>1,094,185</u>	<u>-</u>	<u>1,094,185</u>
Supporting services:			
Management and general	349,237	-	349,237
	<u>349,237</u>	<u>-</u>	<u>349,237</u>
Total supporting services	<u>349,237</u>	<u>-</u>	<u>349,237</u>
Total expenses	<u>1,443,422</u>	<u>-</u>	<u>1,443,422</u>
Change in net assets	(113,023)	(21,186)	(134,209)
Net assets at beginning of year	<u>410,821</u>	<u>34,544</u>	<u>445,365</u>
Net assets at end of year	<u><u>\$ 297,798</u></u>	<u><u>\$ 13,358</u></u>	<u><u>\$ 311,156</u></u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**For the year ended June 30, 2013**

	<b>Program Services</b>					<b>Total</b>		
	<b>Child Development</b>	<b>Youth Development</b>	<b>Adult Development</b>	<b>Community Outreach</b>	<b>Shopping Bag</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 405,299	\$ 79,100	\$ 36,524	\$ 11,715	\$ -	\$ 532,638	\$ 94,703	\$ 627,341
Payroll taxes and benefits	91,330	12,334	7,898	1,560	-	113,122	27,191	140,313
Total salaries and related expenses	496,629	91,434	44,422	13,275	-	645,760	121,894	767,654
Food	42,341	182	55,313	10	-	97,846	42	97,888
Occupancy	30,243	8,217	5,868	5,306	-	49,634	14,214	63,848
Supplies and materials	7,864	19,780	15,884	10,891	-	54,419	106	54,525
Professional fees	982	261	192	22	-	1,457	20,250	21,707
Maintenance and repair	9,464	1,667	1,247	580	-	12,958	3,156	16,114
Service contracts	3,388	759	739	199	-	5,085	8,971	14,056
Travel	5,111	4,844	1,493	-	-	11,448	-	11,448
Telephone	4,360	2,467	817	217	-	7,861	1,280	9,141
Other	350	381	58	66	-	855	8,022	8,877
Office supplies	581	222	33	7	-	843	3,509	4,352
Interest	-	-	-	-	-	-	4,284	4,284
Contract labor	-	1,810	50	2,080	-	3,940	-	3,940
Insurance	108	108	-	-	-	216	3,620	3,836
Conferences and meetings	1,458	450	25	310	-	2,243	-	2,243
Advertising	-	-	-	-	-	-	1,802	1,802
Postage	159	80	292	7	-	538	998	1,536
Equipment	282	56	73	17	-	428	330	758
Gifts	718	-	25	-	-	743	-	743
In-kind	-	-	-	-	-	-	344	344
Sales tax	-	-	-	-	37	37	-	37
Total nonpersonnel expenses	107,409	41,284	82,109	19,712	37	250,551	70,928	321,479
Total before depreciation	604,038	132,718	126,531	32,987	37	896,311	192,822	1,089,133
Depreciation	-	-	-	-	-	-	65,047	65,047
Total expenses	\$ 604,038	\$ 132,718	\$ 126,531	\$ 32,987	\$ 37	\$ 896,311	\$ 257,869	\$ 1,154,180

See accompanying notes.



**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2012**

	Program Services							
	Child Development	Youth Development	Adult Development	Community Outreach	Shopping Bag	Total Program Services	Management and General	Total
Salaries	\$ 495,173	\$ 69,652	\$ 36,099	\$ 22,176	\$ 12,880	\$ 635,980	\$ 168,329	\$ 804,309
Payroll taxes and benefits	107,113	12,407	7,532	5,391	1,443	133,886	29,254	163,140
Total salaries and related expenses	602,286	82,059	43,631	27,567	14,323	769,866	197,583	967,449
Supplies and materials	31,813	20,934	30,268	13,582	-	96,597	(2,260)	94,337
Food	58,944	-	31,669	-	-	90,613	-	90,613
Occupancy	43,855	12,070	3,049	2,159	-	61,133	19,653	80,786
Maintenance and repairs	9,800	2,952	694	521	357	14,324	8,115	22,439
Professional fees	9,615	2,757	799	637	-	13,808	8,063	21,871
Bad debt	-	-	-	-	-	-	16,394	16,394
Contract labor	3,569	7,672	-	1,830	-	13,071	1,472	14,543
Service contracts	3,128	1,108	261	195	-	4,692	9,175	13,867
Telephone	6,422	2,401	327	245	-	9,395	1,606	11,001
Travel	2,306	4,588	1,368	649	-	8,911	-	8,911
Office supplies	635	83	58	15	40	831	5,765	6,596
Insurance	4,606	1,631	384	288	-	6,909	(652)	6,257
Other	487	102	114	17	-	720	5,125	5,845
Equipment rent and maintenance	-	-	-	-	-	-	2,744	2,744
Conferences and meetings	1,282	675	40	36	-	2,033	568	2,601
Postage	-	19	177	78	-	274	2,105	2,379
Interest	-	-	-	-	-	-	1,028	1,028
Vehicles	-	255	482	-	-	737	-	737
Printing and reproduction	181	64	15	11	-	271	271	542
Total nonpersonnel expenses	176,643	57,311	69,705	20,263	397	324,319	79,172	403,491
Total before depreciation	778,929	139,370	113,336	47,830	14,720	1,094,185	276,755	1,370,940
Depreciation	-	-	-	-	-	-	72,482	72,482
Total expenses	\$ 778,929	\$ 139,370	\$ 113,336	\$ 47,830	\$ 14,720	\$ 1,094,185	\$ 349,237	\$ 1,443,422

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENTS OF CASH FLOWS**  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 128,072	\$ (134,209)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	65,047	72,482
Unrealized (loss) gain on investments	6,462	(1,855)
Changes in operating assets and liabilities:		
Accounts receivable	11,081	71,215
Prepaid expenses	(3,111)	3,237
Accounts payable and accrued expenses	(44,301)	(206)
Net cash provided by operating activities	<u>163,250</u>	<u>10,664</u>
Cash flows from investing activities:		
Purchases of property and equipment	(19,704)	(6,988)
Net cash used in investing activities	<u>(19,704)</u>	<u>(6,988)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(11,835)	(66,097)
Borrowing on notes payable	-	90,000
Net cash (used in) provided by financing activities	<u>(11,835)</u>	<u>23,903</u>
Net increase in cash and cash equivalents	131,711	27,579
Cash and cash equivalents (checks in excess of deposits) at beginning of year	<u>25,193</u>	<u>(2,386)</u>
Cash and cash equivalents at end of year	<u>\$ 156,904</u>	<u>\$ 25,193</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 4,284</u>	<u>\$ 1,028</u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

**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. Effective September 30, 2013, childcare for children ages one through ten years old is no longer offered.

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 – 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.

Shopping Bag – allows families to have an affordable outlet for shopping. Shopping bag permanently closed its doors in November 2012.

**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.

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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

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 has no permanently restricted net assets as of June 30, 2013 or 2012.

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.

**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, 2013 and 2012.

**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.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment (Continued)**

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 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. Tax years that remain open for examination include years ended June 30, 2010 through June 30, 2013. There are no tax penalties or interest reported in the accompanying financial statements.

**Donated Materials and Services**

Donated materials, equipment and vendor services, if any, are reflected as contributions and expenses in the accompanying statements 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, 2013 and 2012, the value of contributed services from individuals meeting the requirements for recognition in the financial statements was not significant and has not been recorded.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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.

**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 January 28, 2014 when these financial statements were available to be issued. Other than the matter described in Note 8, the Organization 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.

**NOTE 2 – ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at June 30:

	<u><b>2013</b></u>	<u><b>2012</b></u>
Receivables related to governmental agencies – contracts and grants	<u>\$ 46,834</u>	<u>\$ 57,915</u>

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Buildings and improvements	\$ 1,269,239	\$ 1,249,535
Furniture and equipment	685,672	685,672
Vehicles	<u>12,622</u>	<u>12,622</u>
	1,967,533	1,947,829
Less accumulated depreciation	<u>(1,607,829)</u>	<u>(1,542,782)</u>
	<u>\$ 359,704</u>	<u>\$ 405,047</u>

Land, parking lots, and certain structures are leased through December 2017 from the Women's Division of the General Board of Global Ministries at no cost to the Organization.

**NOTE 4 – NOTES PAYABLE**

Notes payable consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Note payable to bank – variable interest rate (5.65% at June 30, 2013); secured by balances held by the bank; matures September 2015.	\$ 50,000	\$ 50,000
Note payable to bank – interest 6.00%; secured by balances held by the bank and property; matures August 2014.	3,499	6,092
Note payable to bank – interest 8.00%; secured by substantially all the assets of the Organization; matured November 2012.	<u>-</u>	<u>9,242</u>
	<u>\$ 53,499</u>	<u>\$ 65,334</u>

Maturities of estimated principal payments are as follows:

Year ending <u>June 30,</u>	
2014	\$ 2,824
2015	675
2016	<u>50,000</u>
	<u>\$ 53,499</u>

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 5 – RESTRICTIONS ON NET ASSETS**

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

	<u>2013</u>	<u>2012</u>
General Board of Global Ministries – HVAC and fire sprinkler equipment, respectively	\$ 71,500	\$ 13,358
HCA – restricted for fiscal 2014 operations	25,000	-
Community Foundation – Daycare scholarships	<u>2,915</u>	<u>-</u>
	<u>\$ 99,415</u>	<u>\$ 13,358</u>

**NOTE 6 – CONCENTRATIONS AND COMMITMENTS**

The Organization receives a substantial amount of its support through 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.

**NOTE 7 – OPERATING LEASE**

During December 2008, the Organization entered into a five-year lease agreement for a copier. The lease requires monthly lease payments of \$535. Lease expense under the agreement amounted to \$9,106 and \$10,762 for the years ended June 30, 2013 and 2012, respectively. As of June 30, 2013, future minimum lease payments total \$3,210 for the year ending June 30, 2014.

**NOTE 8 – SUBSEQUENT EVENT**

Effective September 30, 2013, the Organization closed its daycare facility. The daycare facility generated program service fee income of \$368,749 and \$437,001, respectively, for the years ended June 30, 2013 and 2012. Day care expenses exceeded program revenues for the years ended June 30, 2013 and 2012 and were included in child development expenses in the accompanying statements of functional expenses.