

**BETHLEHEM CENTERS OF NASHVILLE**

**FINANCIAL STATEMENTS**

**June 30, 2006 and 2005**

# BETHLEHEM CENTERS OF NASHVILLE

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
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, 2006 and 2005, 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, 2006 and 2005, 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*

October 20, 2006

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2006 and 2005

|                                       | Assets                            |                   |                   |
|---------------------------------------|-----------------------------------|-------------------|-------------------|
|                                       |                                   | 2006              | 2005              |
| Current assets:                       |                                   |                   |                   |
| Cash and cash equivalents             |                                   | \$ 5,229          | \$ 20,230         |
| Investments                           |                                   | 6,462             | 6,462             |
| Accounts receivable                   |                                   | 133,747           | 132,555           |
| Unconditional promises to give        |                                   | 39,527            | 42,719            |
| Prepaid expenses and other            |                                   | 20,250            | 36,495            |
|                                       |                                   | <u>205,215</u>    | <u>238,461</u>    |
| Total current assets                  |                                   |                   |                   |
|                                       |                                   | 63,714            | 68,893            |
| Camp Dogwood renovations, net         |                                   | 413,148           | 435,357           |
| Property and equipment, net           |                                   |                   |                   |
|                                       |                                   | <u>\$ 682,077</u> | <u>\$ 742,711</u> |
| Total assets                          |                                   |                   |                   |
|                                       |                                   |                   |                   |
|                                       | <b>Liabilities and Net Assets</b> |                   |                   |
| Current liabilities:                  |                                   |                   |                   |
| Checks issued in excess of deposits   |                                   | \$ 14,244         | \$ 2,254          |
| Accounts payable and accrued expenses |                                   | 121,153           | 59,679            |
| Line of credit                        |                                   | 162,221           | 149,609           |
| Note payable                          |                                   | 23,625            | 36,495            |
|                                       |                                   | <u>321,243</u>    | <u>248,037</u>    |
| Total current liabilities             |                                   |                   |                   |
|                                       |                                   | 244,782           | 394,438           |
| Net assets:                           |                                   | 116,052           | 100,236           |
| Unrestricted                          |                                   |                   |                   |
| Temporarily restricted                |                                   | <u>360,834</u>    | <u>494,674</u>    |
| Total net assets                      |                                   |                   |                   |
|                                       |                                   | <u>\$ 682,077</u> | <u>\$ 742,711</u> |
| Total liabilities and net assets      |                                   |                   |                   |

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2006

|                                       | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      |
|---------------------------------------|---------------------|-----------------------------------|-------------------|
| Support and revenue:                  |                     |                                   |                   |
| Program service fees                  | \$ 495,756          | \$ -                              | \$ 495,756        |
| Contributions and grants              | 368,313             | 66,652                            | 434,965           |
| Federal and state awards              | 371,178             | -                                 | 371,178           |
| United Way                            | 222,234             | 39,528                            | 261,762           |
| Sponsoring organization               | 61,322              | -                                 | 61,322            |
| Other                                 | 35,919              | -                                 | 35,919            |
| Special events and fundraising        | 1,321               | -                                 | 1,321             |
|                                       | <u>1,556,043</u>    | <u>106,180</u>                    | <u>1,662,223</u>  |
| Net assets released from restrictions | <u>90,364</u>       | <u>(90,364)</u>                   | <u>-</u>          |
| Total support and revenue             | <u>1,646,407</u>    | <u>15,816</u>                     | <u>1,662,223</u>  |
| Expenses:                             |                     |                                   |                   |
| Program services:                     |                     |                                   |                   |
| Child development                     | 940,998             | -                                 | 940,998           |
| Youth development                     | 219,878             | -                                 | 219,878           |
| Adult development                     | 213,620             | -                                 | 213,620           |
| Community outreach                    | 113,196             | -                                 | 113,196           |
| Seniors                               | 75,879              | -                                 | 75,879            |
|                                       | <u>1,563,571</u>    | <u>-</u>                          | <u>1,563,571</u>  |
| Supporting services:                  |                     |                                   |                   |
| Marketing and development             | 85,867              | -                                 | 85,867            |
| Management and general                | 146,625             | -                                 | 146,625           |
|                                       | <u>232,492</u>      | <u>-</u>                          | <u>232,492</u>    |
| Total expenses                        | <u>1,796,063</u>    | <u>-</u>                          | <u>1,796,063</u>  |
| Change in net assets                  | (149,656)           | 15,816                            | (133,840)         |
| Net assets at beginning of year       | <u>394,438</u>      | <u>100,236</u>                    | <u>494,674</u>    |
| Net assets at end of year             | <u>\$ 244,782</u>   | <u>\$ 116,052</u>                 | <u>\$ 360,834</u> |

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2005

|                                       | <u>Unrestricted</u>      | <u>Temporarily<br/>Restricted</u> | <u>Total</u>             |
|---------------------------------------|--------------------------|-----------------------------------|--------------------------|
| Support and revenue:                  |                          |                                   |                          |
| Program service fees                  | \$ 566,658               | \$ -                              | \$ 566,658               |
| Federal and state awards              | 525,680                  | -                                 | 525,680                  |
| Contributions and grants              | 398,839                  | 23,760                            | 422,599                  |
| United Way                            | 204,963                  | 42,719                            | 247,682                  |
| Special event                         | 64,090                   | -                                 | 64,090                   |
| Sponsoring organization               | 36,196                   | 12,500                            | 48,696                   |
| Other                                 | 5,900                    | -                                 | 5,900                    |
|                                       | <u>1,802,326</u>         | <u>78,979</u>                     | <u>1,881,305</u>         |
| Net assets released from restrictions | <u>125,825</u>           | <u>(125,825)</u>                  | <u>-</u>                 |
| Total support and revenue             | <u>1,928,151</u>         | <u>(46,846)</u>                   | <u>1,881,305</u>         |
| Expenses:                             |                          |                                   |                          |
| Program services:                     |                          |                                   |                          |
| Child development                     | 944,986                  | -                                 | 944,986                  |
| Adult development                     | 296,802                  | -                                 | 296,802                  |
| Youth development                     | 292,066                  | -                                 | 292,066                  |
| Community outreach                    | 102,892                  | -                                 | 102,892                  |
| Seniors                               | 72,141                   | -                                 | 72,141                   |
|                                       | <u>1,708,887</u>         | <u>-</u>                          | <u>1,708,887</u>         |
| Supporting services:                  |                          |                                   |                          |
| Marketing and development             | 88,403                   | -                                 | 88,403                   |
| Management and general                | 132,898                  | -                                 | 132,898                  |
|                                       | <u>221,301</u>           | <u>-</u>                          | <u>221,301</u>           |
| Total expenses                        | <u>1,930,188</u>         | <u>-</u>                          | <u>1,930,188</u>         |
| Change in net assets                  | (2,037)                  | (46,846)                          | (48,883)                 |
| Net assets at beginning of year       | <u>396,475</u>           | <u>147,082</u>                    | <u>543,557</u>           |
| Net assets at end of year             | <u><u>\$ 394,438</u></u> | <u><u>\$ 100,236</u></u>          | <u><u>\$ 494,674</u></u> |

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2006

|                                     | Program Services     |                      |                      |                       |                  | Total<br>Program<br>Services | Marketing<br>and<br>Development | Management<br>and General | Total               |
|-------------------------------------|----------------------|----------------------|----------------------|-----------------------|------------------|------------------------------|---------------------------------|---------------------------|---------------------|
|                                     | Child<br>Development | Youth<br>Development | Adult<br>Development | Community<br>Outreach | Seniors          |                              |                                 |                           |                     |
| Salaries                            | \$ 585,710           | \$ 107,958           | \$ 104,227           | \$ 34,981             | \$ 43,309        | \$ 876,185                   | \$ 48,733                       | \$ 31,060                 | \$ 955,978          |
| Payroll taxes and benefits          | 105,034              | 14,325               | 20,987               | 7,036                 | 7,881            | 155,263                      | 8,495                           | 5,109                     | 168,867             |
| Total salaries and related expenses | 690,744              | 122,283              | 125,214              | 42,017                | 51,190           | 1,031,448                    | 57,228                          | 36,169                    | 1,124,845           |
| Occupancy                           | 67,260               | 10,554               | 10,398               | 3,553                 | 4,167            | 95,932                       | 4,911                           | 19,322                    | 120,165             |
| Contract labor                      | 22,309               | 27,893               | 58,280               | 916                   | 1,116            | 110,514                      | 2,854                           | 5,173                     | 118,541             |
| Supplies and materials              | 35,670               | 39,391               | 11,177               | 17,707                | 1,105            | 105,050                      | 613                             | 874                       | 106,537             |
| Food                                | 71,684               | 243                  | 249                  | 390                   | 11,382           | 83,948                       | 239                             | 472                       | 84,659              |
| Professional fees                   | 5,386                | 767                  | 785                  | 40,030                | 321              | 47,289                       | 559                             | 1,489                     | 49,337              |
| Insurance                           | 17,997               | 3,183                | 3,259                | 1,094                 | 1,332            | 26,865                       | 1,489                           | 6,178                     | 34,532              |
| Other                               | 10,308               | 1,693                | 1,595                | 2,733                 | 652              | 16,981                       | 5,598                           | 4,249                     | 26,828              |
| Telephone                           | 7,719                | 1,445                | 650                  | 1,716                 | 609              | 12,139                       | 314                             | 1,252                     | 13,705              |
| Travel                              | 1,154                | 5,256                | 397                  | 2,208                 | 1,504            | 10,519                       | 131                             | 62                        | 10,712              |
| Printing and reproduction           | 791                  | 107                  | 520                  | 229                   | 45               | 1,692                        | 8,347                           | 208                       | 10,247              |
| Interest expense                    | -                    | -                    | -                    | -                     | -                | -                            | -                               | 9,873                     | 9,873               |
| Conferences and meetings            | 5,654                | 1,322                | 459                  | 266                   | 187              | 7,888                        | 948                             | 869                       | 9,705               |
| Equipment rent and maintenance      | 3,239                | 573                  | 586                  | 197                   | 240              | 4,835                        | 268                             | 1,111                     | 6,214               |
| Advertising                         | 923                  | 5,026                | 15                   | 5                     | 6                | 5,975                        | 7                               | 28                        | 6,010               |
| Vehicles                            | 160                  | 142                  | 36                   | 135                   | 2,023            | 2,496                        | 7                               | 31                        | 2,534               |
| Fundraising                         | -                    | -                    | -                    | -                     | -                | -                            | 2,354                           | -                         | 2,354               |
| Total nonpersonnel expenses         | 250,254              | 97,595               | 88,406               | 71,179                | 24,689           | 532,123                      | 28,639                          | 51,191                    | 611,953             |
| Total before depreciation           | 940,998              | 219,878              | 213,620              | 113,196               | 75,879           | 1,563,571                    | 85,867                          | 87,360                    | 1,736,798           |
| Depreciation                        | -                    | -                    | -                    | -                     | -                | -                            | -                               | 59,265                    | 59,265              |
| Total expenses                      | <u>\$ 940,998</u>    | <u>\$ 219,878</u>    | <u>\$ 213,620</u>    | <u>\$ 113,196</u>     | <u>\$ 75,879</u> | <u>\$ 1,563,571</u>          | <u>\$ 85,867</u>                | <u>\$ 146,625</u>         | <u>\$ 1,796,063</u> |

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2005

|                                     | Program Services     |                      |                      |                       |           | Total<br>Program<br>Services | Marketing<br>and<br>Development | Management<br>and General | Total        |
|-------------------------------------|----------------------|----------------------|----------------------|-----------------------|-----------|------------------------------|---------------------------------|---------------------------|--------------|
|                                     | Child<br>Development | Adult<br>Development | Youth<br>Development | Community<br>Outreach | Seniors   |                              |                                 |                           |              |
| Salaries                            | \$ 547,804           | \$ 154,182           | \$ 147,281           | \$ 21,174             | \$ 38,208 | \$ 908,649                   | \$ 31,897                       | \$ 23,588                 | \$ 964,134   |
| Payroll taxes and benefits          | 98,016               | 29,176               | 22,973               | 3,797                 | 7,146     | 161,108                      | 5,440                           | 7,404                     | 173,952      |
| Total salaries and related expenses | 645,820              | 183,358              | 170,254              | 24,971                | 45,354    | 1,069,757                    | 37,337                          | 30,992                    | 1,138,086    |
| Contract labor                      | 20,130               | 68,313               | 47,122               | 2,050                 | 1,258     | 138,873                      | 3,203                           | 5,835                     | 147,911      |
| Food                                | 106,162              | 915                  | -                    | -                     | 15,014    | 122,091                      | -                               | 20                        | 122,111      |
| Occupancy                           | 64,738               | 14,213               | 13,317               | 6,257                 | 3,293     | 101,818                      | 3,749                           | 15,268                    | 120,835      |
| Supplies and materials              | 26,979               | 8,018                | 33,707               | 15,779                | 1,106     | 85,589                       | 1,096                           | 1,569                     | 88,254       |
| Professional fees                   | 23,644               | 1,374                | 1,312                | 41,631                | 340       | 68,301                       | 3,466                           | 1,578                     | 73,345       |
| Insurance                           | 16,285               | 9,854                | 4,235                | 1,790                 | 1,098     | 33,262                       | 1,019                           | 5,094                     | 39,375       |
| Fundraising                         | -                    | -                    | -                    | -                     | -         | -                            | 34,544                          | -                         | 34,544       |
| Travel                              | 10,533               | 2,420                | 11,711               | 3,369                 | 1,597     | 29,630                       | 8                               | 4,562                     | 34,200       |
| Other                               | 11,333               | 2,968                | 3,477                | 1,313                 | 737       | 19,828                       | 1,366                           | 5,089                     | 26,283       |
| Telephone                           | 7,293                | 3,269                | 2,115                | 2,391                 | 743       | 15,811                       | 329                             | 1,466                     | 17,606       |
| Conferences and meetings            | 5,063                | 353                  | 1,414                | 1,839                 | 142       | 8,811                        | 220                             | 216                       | 9,247        |
| Interest expense                    | 3,577                | 974                  | 930                  | 393                   | 241       | 6,115                        | 224                             | 1,119                     | 7,458        |
| Vehicles                            | 1,806                | 388                  | 467                  | 848                   | 1,123     | 4,632                        | 80                              | 2,665                     | 7,377        |
| Printing and reproduction           | 236                  | 67                   | 881                  | 50                    | 16        | 1,250                        | 1,548                           | 74                        | 2,872        |
| Equipment rent and maintenance      | 1,387                | 318                  | 304                  | 211                   | 79        | 2,299                        | 73                              | 366                       | 2,738        |
| Advertising                         | -                    | -                    | 820                  | -                     | -         | 820                          | 120                             | -                         | 940          |
| Bad debt                            | -                    | -                    | -                    | -                     | -         | -                            | 21                              | -                         | 21           |
| Total nonpersonnel expenses         | 299,166              | 113,444              | 121,812              | 77,921                | 26,787    | 639,130                      | 51,066                          | 44,921                    | 735,117      |
| Total before depreciation           | 944,986              | 296,802              | 292,066              | 102,892               | 72,141    | 1,708,887                    | 88,403                          | 75,913                    | 1,873,203    |
| Depreciation                        | -                    | -                    | -                    | -                     | -         | -                            | -                               | 56,985                    | 56,985       |
| Total expenses                      | \$ 944,986           | \$ 296,802           | \$ 292,066           | \$ 102,892            | \$ 72,141 | \$ 1,708,887                 | \$ 88,403                       | \$ 132,898                | \$ 1,930,188 |

See accompanying notes.



**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENTS OF CASH FLOWS**  
For the years ended June 30, 2006 and 2005

|   | <u>2006</u>       | <u>2005</u>      |
|---|-------------------|------------------|
| Cash flows from operating activities:   |                   |                  |
| Change in net assets  | \$ (133,840)      | \$ (48,883)      |
| Adjustments to reconcile change<br>in net assets to net cash provided by<br>operating activities: |                   |                  |
| Depreciation  | 59,265            | 56,985           |
| Changes in operating assets and liabilities:  |                   |                  |
| Accounts receivable   | (1,192)           | 7,465            |
| Unconditional promises to give  | 3,192             | 12,927           |
| Prepaid expenses and other  | 16,245            | 10,994           |
| Accounts payable and accrued expenses   | <u>61,474</u>     | <u>(38,102)</u>  |
| Net cash provided by operating activities   | <u>5,144</u>      | <u>1,386</u>     |
| Cash flows from investing activities:   |                   |                  |
| Purchase of property and equipment  | <u>(31,877)</u>   | <u>(457)</u>     |
| Net cash used in investing activities   | <u>(31,877)</u>   | <u>(457)</u>     |
| Cash flows from financing activities:   |                   |                  |
| Net proceeds from line of credit  | 12,612            | 86,563           |
| Proceeds from note payable  | 33,750            | 45,619           |
| Principal payments on note payable  | <u>(46,620)</u>   | <u>(54,681)</u>  |
| Net cash (used in) provided by financing activities   | <u>(258)</u>      | <u>77,501</u>    |
| Net (decrease) increase in cash and cash equivalents  | (26,991)          | 78,430           |
| Cash and cash equivalents at beginning of year  | <u>17,976</u>     | <u>(60,454)</u>  |
| Cash and cash equivalents at end of year  | <u>\$ (9,015)</u> | <u>\$ 17,976</u> |
| Included in the accompanying statements of financial<br>position as follows:                      |                   |                  |
| Cash and cash equivalents   | \$ 5,229          | \$ 20,230        |
| Checks issued in excess of deposits   | <u>(14,244)</u>   | <u>(2,254)</u>   |
|   | <u>\$ (9,015)</u> | <u>\$ 17,976</u> |
| Supplemental disclosure of cash flow information:   |                   |                  |
| Cash paid during the year for interest  | <u>\$ 9,873</u>   | <u>\$ 7,458</u>  |

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006 and 2005

**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. 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.

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 Family Resource Center.

Senior Services – serves senior adults by providing meals to the homebound and disabled as well as providing social and advocacy groups.

**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, 2006 and 2005**

**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, 2006 and 2005.

**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, 2006 and 2005.

**Property and Equipment**

Land, building, furniture, equipment and vehicles 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.

**Donated Materials and Services**

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

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**June 30, 2006 and 2005**

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

**Donated Materials and Services (continued)**

During the years ended June 30, 2006 and 2005, 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 \$6,010 and \$940 for the years ended June 30, 2006 and 2005, respectively.

**NOTE 2 – ACCOUNTS RECEIVABLE**

At June 30, 2006 and 2005, accounts receivable consist of the following:

|  | <u>2006</u>       | <u>2005</u>       |
|--|-------------------|-------------------|
| Receivables related to                       |                   |                   |
| governmental agencies – contracts and grants | \$ 131,789        | \$ 118,222        |
| Other  | <u>1,958</u>      | <u>14,333</u>     |
| Accounts receivable                          | <u>\$ 133,747</u> | <u>\$ 132,555</u> |

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**June 30, 2006 and 2005**

**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, 2006 and 2005:

|  | <u>2006</u>      | <u>2005</u>      |
|--|------------------|------------------|
| Receivable in less than one year                   | \$ 39,527        | \$ 42,719        |
| Receivable in one to five years                    | <u>-</u>         | <u>-</u>         |
|  | 39,527           | 42,719           |
| Less discounts to net present value and allowances | <u>-</u>         | <u>-</u>         |
| Net contributions receivable                       | <u>\$ 39,527</u> | <u>\$ 42,719</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. Contributions receivable in less than one year are considered to approximate fair value.

**NOTE 4 – CAMP DOGWOOD RENOVATIONS, NET**

The Organization continues the process of revitalizing 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, 2006 and 2005 amounted to \$77,687. Accumulated depreciation at June 30, 2006 and 2005 amounted to \$13,973 and \$8,794, respectively.

**NOTE 5 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following at June 30, 2006 and 2005:

|                               | <u>2006</u>        | <u>2005</u>        |
|-------------------------------|--------------------|--------------------|
| Land                          | \$ 3,667           | \$ 3,667           |
| Buildings and improvements    | 1,001,720          | 973,945            |
| Furniture and equipment       | 581,225            | 577,124            |
| Vehicles                      | <u>70,025</u>      | <u>70,025</u>      |
|                               | 1,656,637          | 1,624,761          |
| Less accumulated depreciation | <u>(1,243,489)</u> | <u>(1,189,404)</u> |
|                               | <u>\$ 413,148</u>  | <u>\$ 435,357</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 (8.25 percent at June 30, 2006) and require monthly payments of interest only based on the outstanding balance with all remaining principal due at maturity, January 31, 2007. As of June 30, 2006 and 2005, borrowings outstanding were \$162,221 and \$149,609, respectively. The line of credit is secured by accounts receivable and allows for borrowings up to \$225,000 through January 31, 2007.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**June 30, 2006 and 2005**

**NOTE 7 – NOTE PAYABLE**

Note payable consists of the following at June 30, 2006 and 2005:

|  | <u>2006</u>      | <u>2005</u>      |
|--|------------------|------------------|
| Note payable – Premium Acceptance Corp.; interest 8 percent, secured by loss payments, dividends, and gross unearned and return insurance premiums; matures February 2007. | <u>\$ 23,625</u> | <u>\$ 36,495</u> |

**NOTE 8 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are comprised of the following at June 30, 2006 and 2005:

|                          | <u>2006</u>       | <u>2005</u>       |
|--------------------------|-------------------|-------------------|
| United Way designations  | \$ 39,528         | \$ 42,719         |
| Camp Dogwood             | 46,524            | 57,517            |
| West End Home Foundation | <u>30,000</u>     | <u>-</u>          |
| Total                    | <u>\$ 116,052</u> | <u>\$ 100,236</u> |

**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.