

**BETHLEHEM CENTERS OF NASHVILLE**

**FINANCIAL STATEMENTS**

**June 30, 2007 and 2006**

# **BETHLEHEM CENTERS OF NASHVILLE**

## **Table of Contents**

Independent Auditor's Report .....	2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities .....	4 – 5
Statements of Functional Expenses.....	6 – 7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9 – 13



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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, 2007 and 2006, 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, 2007 and 2006, 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*

November 19, 2007

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2007 and 2006**

	<b>Assets</b>		
		<b>2007</b>	<b>2006</b>
Current assets:			
Cash and cash equivalents	\$	35,896	\$ 5,229
Investments		6,462	6,462
Accounts receivable		116,030	133,747
Unconditional promises to give		28,823	39,527
Prepaid expenses and other		25,667	20,250
Total current assets		212,878	205,215
Camp Dogwood renovations, net		58,535	63,714
Property and equipment, net		420,030	413,148
Total assets	\$	691,443	\$ 682,077
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Checks issued in excess of deposits	\$	21,482	\$ 14,244
Accounts payable and accrued expenses		99,249	121,153
Line of credit		40,351	162,221
Note payable		27,331	23,625
Total current liabilities		188,413	321,243
Net assets:			
Unrestricted		426,292	244,782
Temporarily restricted		76,738	116,052
Total net assets		503,030	360,834
Total liabilities and net assets	\$	691,443	\$ 682,077

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:			
Program service fees	\$ 565,491	\$ -	\$ 565,491
Contributions and grants	636,529	1,631	638,160
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	234,500	-	234,500
Community outreach	63,442	-	63,442
Seniors	86,432	-	86,432
	<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 ACTIVITIES**  
**For the year ended June 30, 2006**

	<u>Unrestricted</u>	<u>Temporarily 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><u>\$ 244,782</u></u>	<u><u>\$ 116,052</u></u>	<u><u>\$ 360,834</u></u>

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	Seniors					
Salaries	\$ 579,071	\$ 82,065	\$ 115,962	\$ 34,043	\$ 50,944	\$	\$ 862,085	\$ 69,046	\$ 50,419	\$ 981,550
Payroll taxes and benefits	103,676	16,087	22,263	3,598	9,115		154,739	8,783	9,641	173,163
Total salaries and related expenses	682,747	98,152	138,225	37,641	60,059		1,016,824	77,829	60,060	1,154,713
Occupancy	91,549	9,534	12,839	3,823	5,422		123,167	7,461	28,796	159,424
Contract labor	34,068	39,307	70,825	940	59		145,199	6,144	316	151,659
Supplies and materials	42,431	40,133	4,114	17,210	1,066		104,954	4,252	1,570	110,776
Food	79,866	35	-	156	11,879		91,936	-	63	91,999
Other	12,675	2,087	2,812	1,268	1,258		20,100	3,737	4,766	28,603
Insurance	10,630	1,506	2,214	625	935		15,910	1,267	4,966	22,143
Travel	2,332	9,888	468	18	3,326		16,032	129	95	16,256
Telephone	9,253	1,400	882	773	1,178		13,486	646	1,943	16,075
Printing and reproduction	1,901	315	419	480	167		3,282	7,493	888	11,663
Conferences and meetings	5,210	3,009	481	154	499		9,353	476	1,024	10,853
Professional fees	3,994	566	832	235	351		5,978	476	1,866	8,320
Interest expense	-	-	-	-	-		-	-	5,948	5,948
Vehicles	1,402	323	155	54	85		2,019	89	348	2,456
Equipment rent and maintenance	1,055	100	147	41	62		1,405	84	330	1,819
Advertising	346	49	72	20	30		517	541	161	1,219
Contributions	-	-	-	-	50		50	-	363	413
Fundraising	70	10	15	4	6		105	130	32	267
Total nonpersonnel expenses	296,782	108,262	96,275	25,801	26,373		553,493	32,925	53,475	639,893
Total before depreciation	979,529	206,414	234,500	63,442	86,432		1,570,317	110,754	113,535	1,794,606
Depreciation	-	-	-	-	-		-	-	58,387	58,387
Total expenses	\$ 979,529	\$ 206,414	\$ 234,500	\$ 63,442	\$ 86,432	\$	\$ 1,570,317	\$ 110,754	\$ 171,922	\$ 1,852,993

See accompanying notes.

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

	Program Services						Marketing and Development	Management and General	Total
	Child Development	Youth Development	Adult Development	Community Outreach	Seniors	Total Program Services			
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	\$ 940,998	\$ 219,878	\$ 213,620	\$ 113,196	\$ 75,879	\$ 1,563,571	\$ 85,867	\$ 146,625	\$ 1,796,063

See accompanying notes.



**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENTS OF CASH FLOWS**  
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 142,196	\$ (133,840)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,387	59,265
Changes in operating assets and liabilities:		
Accounts receivable	17,717	(1,192)
Unconditional promises to give	10,704	3,192
Prepaid expenses and other	(5,417)	16,245
Accounts payable and accrued expenses	<u>(21,904)</u>	<u>61,474</u>
Net cash provided by operating activities	<u>201,683</u>	<u>5,144</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(60,090)</u>	<u>(31,877)</u>
Net cash used in investing activities	<u>(60,090)</u>	<u>(31,877)</u>
Cash flows from financing activities:		
Net (payment on) proceeds from line of credit	(121,870)	12,612
Proceeds from note payable	34,222	33,750
Principal payments on note payable	<u>(30,516)</u>	<u>(46,620)</u>
Net cash used in financing activities	<u>(118,164)</u>	<u>(258)</u>
Net increase (decrease) in cash and cash equivalents	23,429	(26,991)
Cash and cash equivalents at beginning of year	<u>(9,015)</u>	<u>17,976</u>
Cash and cash equivalents at end of year	<u><u>\$ 14,414</u></u>	<u><u>\$ (9,015)</u></u>
Included in the accompanying statements of financial position as follows:		
Cash and cash equivalents	\$ 35,896	\$ 5,229
Checks issued in excess of deposits	<u>(21,482)</u>	<u>(14,244)</u>
	<u><u>\$ 14,414</u></u>	<u><u>\$ (9,015)</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 5,948</u></u>	<u><u>\$ 9,873</u></u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**

**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, 2007 and 2006**

**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, 2007 and 2006.

**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, 2007 and 2006.

**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.

**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, 2007 and 2006**

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

**Donated Materials and Services (continued)**

During the years ended June 30, 2007 and 2006, 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 \$1,219 and \$6,010 for the years ended June 30, 2007 and 2006, respectively.

**NOTE 2 – ACCOUNTS RECEIVABLE**

At June 30, 2007 and 2006, accounts receivable consist of the following:

	<u>2007</u>	<u>2006</u>
Receivables related to		
governmental agencies – contracts and grants	\$ 113,349	\$ 131,789
Other	<u>4,681</u>	<u>1,958</u>
Accounts receivable	<u>\$ 116,030</u>	<u>\$ 133,747</u>

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**June 30, 2007 and 2006**

**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>2007</u>	<u>2006</u>
Receivable in less than one year	\$ 28,823	\$ 39,527
Receivable in one to five years	<u>-</u>	<u>-</u>
Unconditional promises to give	<u>\$ 28,823</u>	<u>\$ 39,527</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, 2007 and 2006 amounted to \$77,687. Accumulated depreciation at June 30, 2007 and 2006 amounted to \$19,152 and \$13,973, respectively.

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

Property and equipment consists of the following at June 30:

	<u>2007</u>	<u>2006</u>
Land	\$ 3,667	\$ 3,667
Buildings and improvements	1,010,049	1,001,720
Furniture and equipment	628,347	581,225
Vehicles	<u>75,044</u>	<u>70,025</u>
	1,717,107	1,656,637
Less accumulated depreciation	<u>(1,297,077)</u>	<u>(1,243,489)</u>
	<u>\$ 420,030</u>	<u>\$ 413,148</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% at June 30, 2007) and require monthly payments of interest only based on the outstanding balance with all remaining principal due at maturity, January 31, 2008. As of June 30, 2007 and 2006, borrowings outstanding were \$40,351 and \$162,221, respectively. The line of credit is secured by accounts receivable and allows for borrowings up to \$185,000 through January 31, 2008.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**June 30, 2007 and 2006**

**NOTE 7 – NOTE PAYABLE**

Note payable consists of the following at June 30:

	<u>2007</u>	<u>2006</u>
Note payable – Premium Acceptance Corp.; interest 8 percent, secured by loss payments, dividends, and gross unearned and return insurance premiums; matures February 2008.	<u>\$ 27,331</u>	<u>\$ 23,625</u>

**NOTE 8 – RESTRICTIONS ON NET ASSETS**

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

	<u>2007</u>	<u>2006</u>
United Way designations	\$ 28,823	\$ 39,528
Camp Dogwood	47,915	46,524
West End Home Foundation	<u>-</u>	<u>30,000</u>
Total	<u>\$ 76,738</u>	<u>\$ 116,052</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.