

BETHLEHEM CENTERS OF NASHVILLE

FINANCIAL STATEMENTS

June 30, 2010 and 2009

BETHLEHEM CENTERS OF NASHVILLE

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FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Bethlehem Centers of Nashville
Nashville, Tennessee

We have audited the accompanying statements of financial position of Bethlehem Centers of Nashville (a nonprofit organization) as of June 30, 2010 and 2009, 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, 2010 and 2009, 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 10, 2010

BETHLEHEM CENTERS OF NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	Assets	
	2010	2009
Current assets:		
Cash and cash equivalents	\$ 91,331	\$ 57,967
Investments	10,278	10,278
Accounts receivable	207,477	96,203
Prepaid expenses and other	6,942	12,174
Total current assets	316,028	176,622
Camp Dogwood renovations, net	-	25,700
Property and equipment, net	482,009	356,616
Total assets	<u>\$ 798,037</u>	<u>\$ 558,938</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 126,062	\$ 126,256
Notes payable, current portion	35,853	147,309
Total current liabilities	161,915	273,565
Notes payable, less current portion	40,442	102,678
Total liabilities	202,357	376,243
Net assets:		
Unrestricted	575,680	142,381
Temporarily restricted	20,000	40,314
Total net assets	595,680	182,695
Total liabilities and net assets	<u>\$ 798,037</u>	<u>\$ 558,938</u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Program service fees	\$ 523,286	\$ -	\$ 523,286
Federal and state awards	350,622	-	350,622
United Way	288,072	-	288,072
Gain on disposal of fixed assets	223,615	-	223,615
Contributions and grants	246,734	20,000	266,734
Sponsoring organization	222,108	-	222,108
Other	29,118	-	29,118
	<u>1,883,555</u>	<u>20,000</u>	<u>1,903,555</u>
Net assets released from restrictions	<u>40,314</u>	<u>(40,314)</u>	<u>-</u>
Total support and revenue	<u>1,923,869</u>	<u>(20,314)</u>	<u>1,903,555</u>
Expenses:			
Program services:			
Child development	914,665	-	914,665
Youth development	264,404	-	264,404
Adult development	92,952	-	92,952
Community outreach	13,784	-	13,784
Total program services	<u>1,285,805</u>	<u>-</u>	<u>1,285,805</u>
Supporting services:			
Marketing and development	1,015	-	1,015
Management and general	203,750	-	203,750
Total supporting services	<u>204,765</u>	<u>-</u>	<u>204,765</u>
Total expenses	<u>1,490,570</u>	<u>-</u>	<u>1,490,570</u>
Change in net assets	433,299	(20,314)	412,985
Net assets at beginning of year	<u>142,381</u>	<u>40,314</u>	<u>182,695</u>
Net assets at end of year	<u><u>\$ 575,680</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 595,680</u></u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 513,453	\$ 60,764	\$ 574,217
Program service fees	557,495	-	557,495
United Way	258,398	-	258,398
Federal and state awards	187,035	-	187,035
Sponsoring organization	42,708	-	42,708
Other	23,901	-	23,901
Special events and fundraising	10,565	-	10,565
	<u>1,593,555</u>	<u>60,764</u>	<u>1,654,319</u>
Net assets released from restrictions	<u>100,663</u>	<u>(100,663)</u>	<u>-</u>
Total support and revenue	<u>1,694,218</u>	<u>(39,899)</u>	<u>1,654,319</u>
Expenses:			
Program services:			
Child development	1,097,187	-	1,097,187
Youth development	221,231	-	221,231
Adult development	96,855	-	96,855
Community outreach	22,164	-	22,164
Total program services	<u>1,437,437</u>	<u>-</u>	<u>1,437,437</u>
Supporting services:			
Marketing and development	82,722	-	82,722
Management and general	214,048	-	214,048
Total supporting services	<u>296,770</u>	<u>-</u>	<u>296,770</u>
Total expenses	<u>1,734,207</u>	<u>-</u>	<u>1,734,207</u>
Change in net assets	(39,989)	(39,899)	(79,888)
Net assets at beginning of year	<u>182,370</u>	<u>80,213</u>	<u>262,583</u>
Net assets at end of year	<u>\$ 142,381</u>	<u>\$ 40,314</u>	<u>\$ 182,695</u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2010

	Program Services					Marketing and Development	Management and General	Total
	Child Development	Youth Development	Adult Development	Community Outreach	Total Program Services			
Salaries	\$ 515,939	\$ 133,955	\$ 44,743	\$ 2,330	\$ 696,967	\$ -	\$ 15,077	\$ 712,044
Payroll taxes and benefits	89,673	19,619	5,183	289	114,764	-	4,253	119,017
Total salaries and related expenses	605,612	153,574	49,926	2,619	811,731	-	19,330	831,061
Occupancy	114,437	23,391	6,567	505	144,900	254	18,464	163,618
Contract labor	27,225	35,698	4,445	2,715	70,083	-	68,048	138,131
Supplies and materials	47,447	21,228	8,569	7,331	84,575	2	6,480	91,057
Food	73,578	2,232	13,266	300	89,376	-	(198)	89,178
Insurance	17,157	3,170	1,471	20	21,818	5	1,111	22,934
Travel	1,604	14,257	5,142	-	21,003	-	476	21,479
Other	3,894	804	496	23	5,217	3	11,458	16,678
Telephone	10,722	3,076	553	35	14,386	5	1,158	15,549
Interest	-	-	-	-	-	-	12,234	12,234
Professional fees	6,640	2,771	687	24	10,122	6	1,346	11,474
Printing and reproduction	2,795	1,489	485	201	4,970	740	665	6,375
Vehicles	2,615	674	1,345	11	4,645	-	622	5,267
Conferences and meetings	854	2,040	-	-	2,894	-	1,145	4,039
Equipment rent and maintenance	85	-	-	-	85	-	635	720
Total nonpersonnel expenses	309,053	110,830	43,026	11,165	474,074	1,015	123,644	598,733
Total before depreciation	914,665	264,404	92,952	13,784	1,285,805	1,015	142,974	1,429,794
Depreciation	-	-	-	-	-	-	60,776	60,776
Total expenses	\$ 914,665	\$ 264,404	\$ 92,952	\$ 13,784	\$ 1,285,805	\$ 1,015	\$ 203,750	\$ 1,490,570

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2009

	Program Services						Total Program Services	Marketing and Development	Management and General	Total
	Child Development	Youth Development	Adult Development	Community Outreach	Total Program Services	Marketing and Development				
Salaries	\$ 652,673	\$ 117,766	\$ 54,565	\$ 1,927	\$ 826,931	\$ 17,663	\$ 46,939	\$ 891,533		
Payroll taxes and benefits	111,335	18,443	5,616	171	135,565	4,753	6,668	146,986		
Total salaries and related expenses	764,008	136,209	60,181	2,098	962,496	22,416	53,607	1,038,519		
Occupancy	123,733	18,100	7,387	357	149,577	3,587	35,543	188,707		
Contract labor	31,290	35,515	3,511	150	70,466	50,571	865	121,902		
Food	82,657	-	11,951	-	94,608	-	-	94,608		
Supplies and materials	43,491	16,143	5,035	19,392	84,061	861	-	84,922		
Insurance	21,010	3,700	1,635	57	26,402	609	7,866	34,877		
Loss on disposal of asset	-	-	-	-	-	-	22,477	22,477		
Other	5,197	853	377	13	6,440	513	13,571	20,524		
Telephone	11,175	2,549	768	16	14,508	666	2,194	17,368		
Interest	-	-	-	-	-	-	13,953	13,953		
Travel	3,096	4,528	4,316	3	11,943	149	394	12,486		
Professional fees	5,663	1,010	1,146	16	7,835	166	2,146	10,147		
Printing and reproduction	3,589	949	362	56	4,956	2,767	1,269	8,992		
Vehicles	2,105	375	186	6	2,672	62	798	3,532		
Equipment rent and maintenance	173	1,300	-	-	1,473	-	100	1,573		
Fundraising	-	-	-	-	-	355	-	355		
Total nonpersonnel expenses	333,179	85,022	36,674	20,066	474,941	60,306	101,176	636,423		
Total before depreciation	1,097,187	221,231	96,855	22,164	1,437,437	82,722	154,783	1,674,942		
Depreciation	-	-	-	-	-	-	59,265	59,265		
Total expenses	\$1,097,187	\$ 221,231	\$ 96,855	\$ 22,164	\$1,437,437	\$ 82,722	\$ 214,048	\$1,734,207		

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 412,985	\$ (79,888)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	60,776	59,265
Unrealized loss	-	983
(Gain) loss on disposal of asset	(223,615)	22,477
Changes in operating assets and liabilities:		
Accounts receivable	(111,274)	1,895
Unconditional promises to give	-	32,298
Prepaid expenses and other	5,232	(11,124)
Accounts payable and accrued expenses	<u>(194)</u>	<u>29,492</u>
Net cash provided by operating activities	<u>143,910</u>	<u>55,398</u>
Cash flows from investing activities:		
Purchases of property and equipment	(186,854)	-
Proceeds from sale of land	<u>250,000</u>	<u>-</u>
Net cash provided by investing activities	<u>63,146</u>	<u>-</u>
Cash flows from financing activities:		
Net payments on line of credit	-	(239,167)
Proceeds from note payable	-	306,442
Principal payments on note payable	<u>(173,692)</u>	<u>(56,455)</u>
Net cash (used in) provided by financing activities	<u>(173,692)</u>	<u>10,820</u>
Net increase in cash and cash equivalents	33,364	66,218
Cash and cash equivalents at beginning of year	<u>57,967</u>	<u>(8,251)</u>
Cash and cash equivalents at end of year	<u><u>\$ 91,331</u></u>	<u><u>\$ 57,967</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 12,234</u></u>	<u><u>\$ 13,953</u></u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Community Outreach – 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.

Accounting Standards Codification

The Financial Accounting Standards Board ("FASB ASC") became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC has no effect on the Organization's financial statements.

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.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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 currently has no permanently restricted net assets.

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, 2010 and 2009.

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, 2010 and 2009

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.

On January 1, 2009 the Organization adopted FASB ASC guidance clarifying the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This interpretation 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. This guidance must be applied to all existing tax positions upon initial adoption. Adoption of this pronouncement had no impact on the financial position or results of operations. Tax years that remain open for examination include years ended June 30, 2008 through June 30, 2010. There are no tax penalties or interest reported in the accompanying financial statements.

Donated Materials and Services

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

During the years ended June 30, 2010 and 2009, 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.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

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 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.

Subsequent Events

The Organization evaluated subsequent events through November 10, 2010 when these financial statements were available to be issued. Management of the Organization is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – ACCOUNTS RECEIVABLE

At June 30, 2010 and 2009, accounts receivable consist of the following:

	<u>2010</u>	<u>2009</u>
Receivables related to governmental agencies – contracts and grants	\$ 207,477	\$ 96,203
	<u>\$ 207,477</u>	<u>\$ 96,203</u>

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 3 – CAMP DOGWOOD RENOVATIONS, NET

The Organization previously maintained Camp Dogwood, a 200+ acre property located in Cheatham County, Tennessee. Camp Dogwood is owned by the Women's Division of the United Methodist Church and leased to the Organization to do mission work. The Organization has not utilized this property in several years and has written off the net value of previously capitalized renovation expenditures of \$23,018.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ -	\$ 3,667
Buildings and improvements	1,209,382	1,046,937
Furniture and equipment	661,056	636,348
Vehicles	<u>75,044</u>	<u>75,044</u>
	1,945,482	1,761,996
Less accumulated depreciation	<u>(1,463,473)</u>	<u>(1,405,380)</u>
	<u>\$ 482,009</u>	<u>\$ 356,616</u>

In November 2009, the Organization sold a parcel of land to the Women's Division of the United Methodist Church for \$250,000. The resulting \$246,633 gain on sale of asset has been recognized in the June 30, 2010 statement of activities. The gain is reported in the accompanying statement of activities net of \$23,018 of Camp Dogwood renovations written off as discussed in Note 3.

NOTE 5 – NOTES PAYABLE

Notes payable consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Note payable to bank – interest 8%, secured by substantially all the assets of the Organization; matures February 2013.	\$ 65,266	\$ 193,569
Note payable to bank – interest 6.00%; secured by balances held by the bank and property; matures August 2014.	11,029	13,375
Note payable – State of Tennessee Department of Human Services; non-interest bearing; matured June 2009; Note was in default at June 30, 2009; subsequently paid in-full during October 2009.	-	33,000

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 5 – NOTES PAYABLE (Continued)

Note payable – financial insurance policy; interest 9.20%,
matured December 2009.

-	10,043
<u>\$ 76,295</u>	<u>\$ 249,987</u>

Maturities of estimated principal payments are as follows:

Year ended June 30,	
2011	\$ 35,853
2012	38,187
2013	2,255
2014	-
2015	-
Thereafter	-
	<u>\$ 76,295</u>

NOTE 6 – RESTRICTIONS ON NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Hot lunch program	\$ -	\$ 27,500
Community outreach program	-	2,500
Youth Center	-	10,314
HCA Grant receivable	<u>20,000</u>	<u>-</u>
Total	<u>\$ 20,000</u>	<u>\$ 40,314</u>

NOTE 7 – 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.