

**NASHVILLE AREA CHAPTER OF
THE AMERICAN RED CROSS**

FINANCIAL STATEMENTS

June 30, 2008 and 2007

**NASHVILLE AREA CHAPTER OF
THE AMERICAN RED CROSS**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Nashville Area Chapter of the American Red Cross
Nashville, Tennessee

We have audited the accompanying statements of financial position of Nashville Area Chapter of the American Red Cross (the "Chapter") as of June 30, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended June 30, 2008. These financial statements are the responsibility of the Chapter's management. Our responsibility is to express an opinion on these financial statements based on our audits. The 2007 summarized comparative information has been derived from the Chapter's 2007 financial statements, and in our report dated August 30, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Nashville Area Chapter of the American Red Cross as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the year ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

August 20, 2008

NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 746,827	\$ 426,289
Inter-Red Cross receivables	607,697	684,886
Contributions receivable, net	407,815	446,012
Accounts receivable other, net	63,020	92,865
Inventory	35,840	34,117
Other	-	1,856
	<u>1,861,199</u>	<u>1,686,025</u>
Total current assets		
Noncurrent assets:		
Investments	69,358	67,753
Contributions receivable	54,600	6,200
Land, building and equipment, net	933,397	977,390
	<u>1,057,355</u>	<u>1,051,343</u>
Total noncurrent assets		
Total assets	<u><u>\$ 2,918,554</u></u>	<u><u>\$ 2,737,368</u></u>
Liabilities and Net Assets		
Current liabilities:		
Inter-Red Cross payables	\$ 67,003	\$ 25,740
Accounts payable and accrued expenses	230,287	171,708
Notes payable - current portion	1,245	4,989
	<u>298,535</u>	<u>202,437</u>
Total current liabilities		
Notes payable, net of current portion	<u>-</u>	<u>1,035</u>
Total liabilities	<u>298,535</u>	<u>203,472</u>
Net assets:		
Unrestricted	2,214,658	2,032,819
Temporarily restricted	372,361	468,077
Permanently restricted	33,000	33,000
	<u>2,620,019</u>	<u>2,533,896</u>
Total net assets		
Total liabilities and net assets	<u><u>\$ 2,918,554</u></u>	<u><u>\$ 2,737,368</u></u>

See accompanying notes.

NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2008
(with summarized financial information for the year ended June 30, 2007)

	2008			2007
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Monetary contributions	\$ 735,431	\$ 312,041	\$ -	\$1,047,472
Course fees and program materials	711,053	-	-	711,053
Inter-Red Cross revenues	245,980	95,764	-	341,744
Private and government grants	10,000	325,865	-	335,865
Special events, net of expenses of \$28,117 in 2008 and \$21,921 in 2007	198,439	3,615	-	202,054
United Way and Combined Federal Campaign	32,914	88,417	-	121,331
Investment income (loss)	(45,894)	-	-	(45,894)
Contracts	73,182	-	-	73,182
Legacies and bequests	101,347	-	-	101,347
Other revenue	2,424	311	-	2,735
Other contributions (in kind)	1,982	-	-	1,982
Endowment income (loss)	(375)	-	-	(375)
Net assets released from restrictions - satisfaction of program restrictions	921,729	(921,729)	-	-
Total public support and revenue	2,988,212	(95,716)	-	2,892,496
Expenses:				
Program services:				
Disaster services	858,553	-	-	858,553
Health and safety services	764,074	-	-	764,074
Community services	251,693	-	-	251,693
Service to military families	125,502	-	-	125,502
International services	42,144	-	-	42,144
Services to chapters	44,723	-	-	44,723
Total program services	2,086,689	-	-	2,086,689
Supporting services:				
Fundraising and financial development	463,197	-	-	463,197
Management and general	256,487	-	-	256,487
Total supporting services	719,684	-	-	719,684
Total expenses	2,806,373	-	-	2,806,373
Change in net assets	181,839	(95,716)	-	86,123
Net assets, beginning of year	2,032,819	468,077	33,000	2,533,896
Net assets, end of year	\$2,214,658	\$ 372,361	\$ 33,000	\$2,620,019

See accompanying notes.

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
STATEMENT OF FUNCTIONAL EXPENSES**

**For the year ended June 30, 2008
(with summarized financial information for the year ended June 30, 2007)**

	2008			2007	
	Program Services	Fundraising and Financial Development	Management and General	Total	Total
Salaries and wages	\$ 742,745	\$ 165,887	\$ 124,350	\$ 1,032,982	\$ 1,021,767
Financial and material assistance	327,292	77,180	3,517	407,989	499,145
Contractual services	171,136	78,680	32,715	282,531	373,596
National chapter assessment	274,826	-	17,598	292,424	308,196
Employee benefits	163,328	35,439	32,199	230,966	229,210
Supplies, materials and printing	204,061	45,565	4,290	253,916	266,177
Inter-Red Cross expenses	98,675	29,080	17,432	145,187	159,932
Depreciation and amortization	49,798	7,954	14,496	72,248	77,557
Travel	40,792	20,110	8,324	69,226	36,520
Equipment repair and maintenance	14,036	3,302	1,566	18,904	11,524
	<u>\$ 2,086,689</u>	<u>\$ 463,197</u>	<u>\$ 256,487</u>	<u>\$ 2,806,373</u>	<u>\$ 2,983,624</u>

See accompanying notes.

NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 86,123	\$ 3,703
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	72,248	77,557
Gain on sale of fixed asset	-	(500)
Unrealized loss (gain) on annuities	68,033	(88,173)
Provision for doubtful accounts	92,628	31,696
Net unrealized gains on long-term investments	(1,605)	(5,637)
(Increase) decrease in accounts and contributions receivable	(63,830)	147,371
Decrease in inventory and other assets	133	28,377
Increase (decrease) in payables and accrued expenses	<u>99,842</u>	<u>(215,293)</u>
Net cash provided by (used in) operating activities	<u>353,572</u>	<u>(20,899)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(28,255)	-
Proceeds from sale of fixed asset	<u>-</u>	<u>500</u>
Net cash (used in) provided by investing activities	<u>(28,255)</u>	<u>500</u>
Cash flows from financing activities:		
Repayment of capital lease obligation	-	(2,683)
Principal payments on note payable	<u>(4,779)</u>	<u>(9,247)</u>
Net cash used in financing activities	<u>(4,779)</u>	<u>(11,930)</u>
Increase (decrease) in cash and cash equivalents	320,538	(32,329)
Cash and cash equivalents, beginning of year	<u>426,289</u>	<u>458,618</u>
Cash and cash equivalents, end of year	<u><u>\$ 746,827</u></u>	<u><u>\$ 426,289</u></u>
Supplemental Disclosure of cash flow information:		
Cash paid for interest	<u><u>\$ 184</u></u>	<u><u>\$ 845</u></u>

See accompanying notes.

NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Nashville Area Chapter of the American Red Cross (the “Chapter”) is an operating unit of the American Red Cross. The American Red Cross is a volunteer, not-for-profit emergency service organization comprised of approximately 750 operating units (including chapters, blood service regions and the national sector) located throughout the United States and its territories. The American Red Cross also operates field stations on United States military installations around the world. The American Red Cross is a single corporate legal entity and produces consolidated financial statements for all chapters, blood service regions and the national sector.

The Chapter, as part of the American Red Cross system, has a mission to help prevent and relieve human suffering. Established in 1917, the Chapter provides disaster relief and community disaster education, aid to military servicemen and their families, CPR, First Aid and other related health and safety courses in the community and in the workplace, HIV/AIDS education in the state, international services, and vision and hearing tests in public schools. The Chapter’s jurisdictions are Cheatham, Clay, Davidson, DeKalb, Dickson, Jackson, Macon, Overton, Pickett, Putnam, Robertson, Smith, Sumner, Trousdale, Van Buren, White, and Wilson Counties in Tennessee.

As stated in their Congressional Charter, the American Red Cross is committed to continue and carry on a system of national and international relief in time of peace and apply the same in mitigating the suffering caused by pestilence, famine, fire, floods and other great natural calamities and devise and carry on measures for preventing the same.

All transactions with the national sector and other operating units are appropriately disclosed in the accompanying financial statements. These transactions include disaster relief, national products and services and shared services with other chapters or regions.

The Chapter is governed by a Board of Directors consisting of forty members of the Nashville community and an Executive Committee consisting of eleven members of the Board of Directors.

The Chapter and the Tennessee Valley Blood Services Region (“Blood Services”) share the headquarters building and certain occupancy costs, but have separate management and support staffs.

Basis of Accounting

The financial statements of the Chapter have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

Management of the Chapter has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Chapter considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are recorded at fair market value in accordance with Statement of Financial Accounting Standards ("SFAS") No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Fair market value is determined by using quoted market prices, where available. Where not available, the present value of estimated expected future cash flows or another reasonable method is used. Investments of the permanently restricted net assets class consist of collective funds, managed by the American Red Cross national sector. These investments are stated at market value of \$69,358 at June 30, 2008 and \$67,753 at June 30, 2007, while the cost of these investments at June 30, 2008 and 2007 is \$33,000.

Inventory

Supplies inventory purchased for use in program services is carried at the lower of first-in, first-out cost or market.

Land, Building and Equipment

Purchases of land, building and equipment having a unit cost in excess of \$2,500 and an estimated useful life of three or more years are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Donated assets are capitalized at the estimated fair market value at the time of receipt. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support.

The cost of the headquarters building has been allocated between the Chapter and Blood Services based primarily upon the Chapter's proceeds from the sale of the former building.

Basis of Presentation

The Chapter has adopted SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Chapter is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Chapter is required to present a statement of cash flows. Net assets of the Chapter are presented as follows:

NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 Chapter 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.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Chapter. Generally, donors of these assets may permit the Chapter to use all or part of the income earned for general or specific purposes.

Contributions

All contributions are considered to be available for the general programs of the Chapter unless restricted by the donor. The Chapter reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Donated Services

Amounts are reported in the financial statements for voluntary donations of services only when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation. A substantial number of volunteers donate significant amounts of their time in the Chapter's program services and its fund-raising campaigns that have not been reported in the accompanying financial statements because the services do not create or enhance non-financial assets and no objective basis is available to measure the value of such donations.

Expense Allocation

General, administrative and public relations expenses have been allocated among functional expense categories based upon estimates by management.

Income Taxes

The Chapter is an operating unit of a national organization exempt from taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in these financial statements.

NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

The Chapter has included unconditional promises to give as contributions receivable in accordance with the provisions of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions are scheduled to be received as follows at June 30:

	<u>2008</u>	<u>2007</u>
Amount receivable within one year	\$ 456,565	\$ 506,486
Amount receivable in 1 to 5 years	<u>54,600</u>	<u>6,200</u>
	511,165	512,686
Less allowance for uncollectible contributions	<u>(48,750)</u>	<u>(60,474)</u>
Contributions receivable, net	<u>\$ 462,415</u>	<u>\$ 452,212</u>

NOTE 3 – SPLIT INTEREST AGREEMENTS

The Chapter has been named beneficiary of certain charitable gift annuities (“annuities”). Assets contributed related to the annuities are held at national headquarters of the American Red Cross. The difference in the fair value of the assets contributed and the present value of the estimated future distributions to be paid has been recorded as contribution revenue at the time of gift. Amounts included in Inter-Red Cross receivables for annuities were \$571,479 and \$619,114 at June 30, 2008 and 2007, respectively. The annuities decreased in value by \$68,033 for the year ended June 30, 2008 and increased in value by \$88,173 for the year ended June 30, 2007.

NOTE 4 – LAND, BUILDING AND EQUIPMENT

A summary of land, building and equipment at June 30 is as follows:

	<u>2008</u>	<u>2007</u>
Land	\$ 203,156	\$ 203,156
Building and improvements	1,301,813	1,301,813
Equipment and automobiles	<u>413,094</u>	<u>384,839</u>
	1,918,063	1,889,808
Less accumulated depreciation and amortization	<u>(984,666)</u>	<u>(912,418)</u>
Land, buildings and equipment, net	<u>\$ 933,397</u>	<u>\$ 977,390</u>

NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 5 – LINE OF CREDIT

The Chapter has a line of credit with a financial institution. Borrowings under this agreement bear interest at the bank's index rate plus 0.5% (5.82% at June 30, 2008) and require monthly payments of interest only. As of June 30, 2008 and 2007, the Chapter had no borrowings on this line of credit. The amount available under the agreement is \$1,000,000. The note is secured by accounts receivable and matures on February 8, 2009.

NOTE 6 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2008</u>	<u>2007</u>
Notes payable, equipment, payable to bank. The remaining note provides for interest at 8.41%. The note remaining at June 30, 2008 requires monthly principal and interest payments of \$219 with a maturity date of January 2009. The note is collateralized by vehicles.	<u>\$ 1,245</u>	<u>\$ 6,024</u>

Scheduled principal maturities of notes payable are as follows:

Year Ended <u>June 30,</u> 2009	<u>\$ 1,245</u>
	<u>\$ 1,245</u>

NOTE 7 – NET ASSETS

Unrestricted net assets are comprised of the following at June 30:

	<u>2008</u>	<u>2007</u>
Undesignated net surplus	\$ 862,175	\$ 737,690
Investment in land, building and equipment	933,397	977,390
Designated for quasi-endowment	<u>419,086</u>	<u>317,739</u>
	<u>\$ 2,214,658</u>	<u>\$ 2,032,819</u>

NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 7 – NET ASSETS (Continued)

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

	<u>2008</u>	<u>2007</u>
Disaster services	\$ 64,037	\$ 34,869
Health and safety services	-	1,953
Time restrictions	221,186	302,026
Other	<u>87,138</u>	<u>129,229</u>
	<u>\$ 372,361</u>	<u>\$ 468,077</u>

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

	<u>2008</u>	<u>2007</u>
Investments in perpetuity, income from which is expendable to support general operations	<u>\$ 33,000</u>	<u>\$ 33,000</u>
	<u>\$ 33,000</u>	<u>\$ 33,000</u>

NOTE 8 – RETIREMENT PLAN

The Chapter participates in a defined-benefit retirement plan administered by the Retirement System of the American Red Cross that covers substantially all employees. Chapter participation in the Retirement System is voluntary; however, most chapters with paid employees have elected to join the plan. For funding purposes under the plan, normal pension costs are determined by the projected unit credit method and are funded currently. The plan provides a pension funded by the employer. Voluntary contributions may be made by active members to fund an optional annuity benefit. Defined benefits are based on years of service and/or age and the employee's final average compensation, which is calculated using the highest consecutive 48 months of the last 120 months' service before retirement.

The Retirement System includes numerous participating chapters and blood services regions. It is not practicable for the actuary to compute accumulated and projected benefit obligations for individual chapters or blood services regions. Accumulated and projected benefit obligations and other required disclosures for the entire American Red Cross (including all participating chapters, blood services regions, and the national sector) are presented in consolidated financial statements of the American Red Cross. Payments to the Retirement System on behalf of the participants of the Chapter were \$36,814 and \$33,048 during the years ended June 30, 2008 and 2007, respectively.

NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 9 – POST-RETIREMENT BENEFITS

The American Red Cross provides medical and dental benefits to eligible retirees and their eligible dependents. Generally, retirees and employer units pay a portion of the premium costs. The American Red Cross has the right to modify cost-sharing provisions at any time.

In addition, life insurance benefits of \$5,000 are provided with no contributions required from the retirees. Life insurance benefits are generally provided by insurance contracts.

Post-retirement benefits are accrued over the period the employee provides services to the organization. Since the American Red Cross is a single corporate legal entity and most retirees participate in the single American Red Cross benefits plan, providing separate disclosures for retirees associated with individual chapters or blood services regions is not practicable. Annual post-retirement benefits expenses are recorded and disclosed for the entire American Red Cross in its consolidated financial statements.

NOTE 10 – EMPLOYEE BENEFIT PLANS

Beginning August 1, 2005, the Chapter elected to participate in a defined contribution retirement plan sponsored by the American Red Cross for the benefit of all permanent employees, under which they are allowed to make contributions on a pre-tax basis. Employee contributions are further matched based on certain other provisions of the plan, not to exceed a total Chapter contribution of 4% of eligible compensation. Total contributions to the plan by the Chapter amounted to \$22,759 and \$23,646 in 2008 and 2007, respectively.

NOTE 11 – NATIONAL CHAPTER ASSESSMENT

The Board of Governors of the American Red Cross established \$83.5 million as the net financial requirements for all services provided by the American Red Cross national sector ("NHQ") on behalf of all chapters for the year ended June 30, 2008. The Chapter's portion of the assessment for the fiscal year ending June 30, 2008 and 2007 was established at \$292,424 and \$308,196, respectively.

NOTE 12 – CONCENTRATIONS

The Chapter maintains cash in excess of federally insured limits. In management's opinion, risk related to such deposits is minimal based on the credit rating of its depositories.