

**BETHLEHEM CENTERS OF NASHVILLE**

**FINANCIAL STATEMENTS**

**June 30, 2016 and 2015**

# **BETHLEHEM CENTERS OF NASHVILLE**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Bethlehem Centers of Nashville  
Nashville, Tennessee

We have audited the accompanying financial statements of Bethlehem Centers of Nashville (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bethlehem Centers of Nashville as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Frazier, Owen & Hord, PLLC*

Nashville, Tennessee  
January 26, 2017

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 67,076	\$ 38,537
Investments	5,671	5,671
Accounts receivable	11,220	4,764
Pledge receivable	-	15,000
Prepaid expenses	245	3,502
	<hr/>	<hr/>
Total current assets	84,212	67,474
Property and equipment, net	<hr/> 268,471	<hr/> 326,676
Total assets	<hr/> <u>\$ 352,683</u>	<hr/> <u>\$ 394,150</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	<hr/> \$ 13,580	<hr/> \$ 30,322
Total current liabilities	13,580	30,322
Note payable	<hr/> -	<hr/> 50,000
Total liabilities	<hr/> 13,580	<hr/> 80,322
Net assets:		
Unrestricted	324,350	296,703
Temporarily restricted	<hr/> 14,753	<hr/> 17,125
Total net assets	<hr/> 339,103	<hr/> 313,828
Total liabilities and net assets	<hr/> <u>\$ 352,683</u>	<hr/> <u>\$ 394,150</u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants (includes \$54,550 of in-kind)	\$ 317,107	\$ 22,130	\$ 339,237
United Way	95,777	-	95,777
Federal and state awards	95,626	-	95,626
Sponsoring organization	42,379	-	42,379
Other	33,910	-	33,910
	<u>584,799</u>	<u>22,130</u>	<u>606,929</u>
Net assets released from restrictions	<u>24,502</u>	<u>(24,502)</u>	<u>-</u>
Total support and revenue	<u>609,301</u>	<u>(2,372)</u>	<u>606,929</u>
Expenses:			
Program services:			
Adult development	164,447	-	164,447
Youth development	90,942	-	90,942
Community outreach	74,622	-	74,622
	<u>330,011</u>	<u>-</u>	<u>330,011</u>
Supporting services:			
Management and general	242,691	-	242,691
Fundraising	8,952	-	8,952
	<u>251,643</u>	<u>-</u>	<u>251,643</u>
Total supporting services	<u>251,643</u>	<u>-</u>	<u>251,643</u>
Total expenses	<u>581,654</u>	<u>-</u>	<u>581,654</u>
Change in net assets	27,647	(2,372)	25,275
Net assets at beginning of year	<u>296,703</u>	<u>17,125</u>	<u>313,828</u>
Net assets at end of year	<u><u>\$ 324,350</u></u>	<u><u>\$ 14,753</u></u>	<u><u>\$ 339,103</u></u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants (includes \$4,595 of in-kind)	\$ 183,845	\$ 20,100	\$ 203,945
Federal and state awards	124,097	-	124,097
United Way	86,669	-	86,669
Sponsoring organization	37,709	-	37,709
Other	14,916	-	14,916
	<u>447,236</u>	<u>20,100</u>	<u>467,336</u>
Net assets released from restrictions	<u>5,475</u>	<u>(5,475)</u>	<u>-</u>
Total support and revenue	<u>452,711</u>	<u>14,625</u>	<u>467,336</u>
Expenses:			
Program services:			
Adult development	149,109	-	149,109
Youth development	125,168	-	125,168
Community outreach	55,294	-	55,294
Child development	375	-	375
	<u>329,946</u>	<u>-</u>	<u>329,946</u>
Supporting services:			
Management and general	214,561	-	214,561
	<u>544,507</u>	<u>-</u>	<u>544,507</u>
Change in net assets	(91,796)	14,625	(77,171)
Net assets at beginning of year	<u>388,499</u>	<u>2,500</u>	<u>390,999</u>
Net assets at end of year	<u>\$ 296,703</u>	<u>\$ 17,125</u>	<u>\$ 313,828</u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2016**

	Program Services				Supporting Services			
	Adult Development	Youth Development	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 42,698	\$ 38,275	\$ 24,503	\$ 105,476	\$ 47,587	\$ 8,400	\$ 55,987	\$ 161,463
Payroll taxes and benefits	4,774	2,735	1,872	9,381	1,473	552	2,025	11,406
Total salaries and related expenses	47,472	41,010	26,375	114,857	49,060	8,952	58,012	172,869
Food	58,907	-	-	58,907	-	-	-	58,907
Supplies and materials	30,359	11,494	6,776	48,629	6,240	-	6,240	54,869
In-kind	3,800	13,400	20,450	37,650	16,900	-	16,900	54,550
Occupancy	9,776	16,151	9,776	35,703	16,151	-	16,151	51,854
Professional fees	-	-	-	-	32,789	-	32,789	32,789
Contract labor	6,957	2,253	8,615	17,825	-	-	-	17,825
Insurance	-	861	-	861	12,597	-	12,597	13,458
Building maintenance and repairs	674	189	189	1,052	6,662	-	6,662	7,714
Service contracts	599	599	599	1,797	5,375	-	5,375	7,172
Other	450	-	91	541	6,210	-	6,210	6,751
Telephone	1,082	1,967	1,082	4,131	1,387	-	1,387	5,518
Equipment rent and maintenance	1,379	81	523	1,983	2,894	-	2,894	4,877
Travel	1,826	2,659	-	4,485	229	-	229	4,714
Office supplies	493	218	48	759	2,577	-	2,577	3,336
Postage	248	-	98	346	1,143	-	1,143	1,489
Interest	-	-	-	-	1,453	-	1,453	1,453
Advertising	-	-	-	-	725	-	725	725
Conferences and meetings	425	60	-	485	-	-	-	485
Total nonpersonnel expenses	116,975	49,932	48,247	215,154	113,332	-	113,332	328,486
Total before depreciation	164,447	90,942	74,622	330,011	162,392	8,952	171,344	501,355
Depreciation	-	-	-	-	80,299	-	80,299	80,299
Total expenses	\$ 164,447	\$ 90,942	\$ 74,622	\$ 330,011	\$ 242,691	\$ 8,952	\$ 251,643	\$ 581,654

See accompanying notes.



**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2015**

	Program Services						
	Adult Development	Youth Development	Community Outreach	Child Development	Total Program Services	Management and General	Total
Salaries	\$ 43,050	\$ 77,990	\$ 19,764	\$ -	\$ 140,804	\$ 31,110	\$ 171,914
Payroll taxes and benefits	4,277	10,414	2,098	87	16,876	5,940	22,816
Total salaries and related expenses	47,327	88,404	21,862	87	157,680	37,050	194,730
Food	57,230	-	-	-	57,230	510	57,740
Occupancy	9,479	14,789	12,787	288	37,343	12,774	50,117
Supplies and materials	19,364	11,447	9,351	-	40,162	1,867	42,029
Professional fees	-	-	-	-	-	36,064	36,064
Building maintenance and repairs	8,597	3,187	3,097	-	14,881	12,195	27,076
Insurance	-	861	-	-	861	12,074	12,935
Contract labor	3,074	700	4,085	-	7,859	50	7,909
Telephone	869	1,737	869	-	3,475	1,123	4,598
In-kind	770	100	2,375	-	3,245	1,350	4,595
Service contracts	594	594	593	-	1,781	2,333	4,114
Other	150	150	45	-	345	3,360	3,705
Travel	409	2,877	-	-	3,286	66	3,352
Office supplies	463	273	130	-	866	2,231	3,097
Interest	-	-	-	-	-	3,059	3,059
Advertising	705	-	-	-	705	2,065	2,770
Equipment rent and maintenance	54	-	-	-	54	802	856
Postage	24	49	50	-	123	406	529
Conferences and meetings	-	-	50	-	50	-	50
Total nonpersonnel expenses	101,782	36,764	33,432	288	172,266	92,329	264,595
Total before depreciation	149,109	125,168	55,294	375	329,946	129,379	459,325
Depreciation	-	-	-	-	-	85,182	85,182
Total expenses	\$ 149,109	\$ 125,168	\$ 55,294	\$ 375	\$ 329,946	\$ 214,561	\$ 544,507

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 25,275	\$ (77,171)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	80,299	85,182
Changes in operating assets and liabilities:		
Accounts receivable	(6,456)	(1,137)
Pledge receivable	15,000	(15,000)
Prepaid expenses	3,257	5,653
Accounts payable and accrued expenses	(16,742)	2,746
Net cash provided by operating activities	<u>100,633</u>	<u>273</u>
Cash flows from investing activities:		
Purchases of property and equipment	(22,094)	(23,873)
Net cash used in investing activities	<u>(22,094)</u>	<u>(23,873)</u>
Cash flows from financing activities:		
Proceeds from note payable	12,500	-
Principal payments on note payable	(62,500)	(686)
Net cash used in financing activities	<u>(50,000)</u>	<u>(686)</u>
Net increase (decrease) in cash and cash equivalents	28,539	(24,286)
Cash and cash equivalents at beginning of year	<u>38,537</u>	<u>62,823</u>
Cash and cash equivalents at end of year	<u>\$ 67,076</u>	<u>\$ 38,537</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 1,453</u>	<u>\$ 3,059</u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bethlehem Centers of Nashville (the “Organization”) is a nonprofit corporation that provides programs designed to empower at-risk children and adults. 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:

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.

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.

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.

**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 (“GAAP”).

Under GAAP, the Organization 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 Organization is required to present a statement of cash flows.

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.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

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

**Basis of Presentation (Continued)**

Permanently restricted net assets - net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization has no permanently restricted net assets as of June 30, 2016 and 2015.

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 collectability. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2016 and 2015.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Pledge Receivable**

Pledges due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. The pledge receivable outstanding at June 30, 2015 was paid in full during fiscal 2016.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

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

**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.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification guidance clarifying the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax years that remain open for examination include years ended June 30, 2013 through June 30, 2016. There are no tax penalties or interest reported in the accompanying financial statements.

**Donated Materials and Services**

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

The Organization receives a significant amount of donated services from unpaid volunteers who assist in various activities. During the years ended June 30, 2016 and 2015, the value of contributed services from individuals meeting the requirements for recognition in the financial statements was not significant and has not been recorded.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Allocated Expenses**

For purposes of the statements of functional expenses, certain expenses have been allocated between program and supporting services based on estimates made by management.

**Subsequent Events**

The Organization evaluated subsequent events through January 26, 2017 when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

**NOTE 2 – ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Receivables related to governmental agencies – contracts and grants	\$ <u>11,220</u>	\$ <u>4,764</u>

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 1,395,373	\$ 1,378,325
Furniture and equipment	538,327	533,281
Vehicles	<u>8,269</u>	<u>8,269</u>
	1,941,969	1,919,875
Less accumulated depreciation	<u>(1,673,498)</u>	<u>(1,593,199)</u>
	<u>\$ 268,471</u>	<u>\$ 326,676</u>

Land, parking lots, and certain structures are leased through December 2027 from the Women's Division of the General Board of Global Ministries at no cost to the Organization.

**NOTE 4 – NOTE PAYABLE**

Note payable consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Note payable to bank – variable interest rate (5.20% at June 30, 2016); secured by balances held by the bank; scheduled maturity August 2018. The note was repaid during the year ended June 30, 2016.	\$ <u>-</u>	\$ <u>50,000</u>

**NOTE 5 – RESTRICTIONS ON NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Restroom renovation	\$ 14,753	\$ -
Senior program	-	2,125
Senior program - pledge receivable	<u>-</u>	<u>15,000</u>
	<u>\$ 14,753</u>	<u>\$ 17,125</u>

**NOTE 6 – CONCENTRATIONS AND COMMITMENTS**

The Organization receives a substantial amount of its support through governmental fees and awards from private foundations. A significant reduction in the level of this support, if it were to occur, could have a substantial effect on the programs and services of the Organization.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 7 – RELATED PARTY TRANSACTIONS**

During fiscal 2016, the Organization borrowed and repaid \$12,500 from an officer of the Organization. The loan, which matured during fiscal year 2016, was unsecured and non-interest bearing. No balance is outstanding at June 30, 2016.