

BETHLEHEM CENTERS OF NASHVILLE

FINANCIAL STATEMENTS

June 30, 2015 and 2014

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 not-for-profit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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 audits 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, 2015 and 2014, 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.

Frasier De L Hend, PLLC

Nashville, Tennessee
January 25, 2016

BETHLEHEM CENTERS OF NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	Assets	
	2015	2014
Current assets:		
Cash and cash equivalents	\$ 38,537	\$ 62,823
Investments	5,671	5,671
Accounts receivable	4,764	3,627
Pledge receivable	15,000	-
Prepaid expenses	3,502	9,155
Total current assets	67,474	81,276
Property and equipment, net	326,676	387,985
Total assets	<u>\$ 394,150</u>	<u>\$ 469,261</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 30,322	\$ 27,576
Notes payable, current portion	-	686
Total current liabilities	30,322	28,262
Notes payable, less current portion	50,000	50,000
Total liabilities	80,322	78,262
Net assets:		
Unrestricted	296,703	388,499
Temporarily restricted	17,125	2,500
Total net assets	313,828	390,999
Total liabilities and net assets	<u>\$ 394,150</u>	<u>\$ 469,261</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	\$ 179,250	\$ 20,100	\$ 199,350
Federal and state awards	124,097	-	124,097
United Way	86,669	-	86,669
Sponsoring organization	37,709	-	37,709
Other	19,511	-	19,511
	<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>
Total program services	<u>329,946</u>	<u>-</u>	<u>329,946</u>
Supporting services:			
Management and general	214,561	-	214,561
	<u>214,561</u>	<u>-</u>	<u>214,561</u>
Total expenses	<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><u>\$ 296,703</u></u>	<u><u>\$ 17,125</u></u>	<u><u>\$ 313,828</u></u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 178,770	\$ 2,500	\$ 181,270
United Way	129,602	-	129,602
Sponsoring organization	105,614	-	105,614
Federal and state awards	92,732	-	92,732
Program service fees	41,615	-	41,615
Other	17,622	-	17,622
Gain on sale of asset	4,991	-	4,991
	<u>570,946</u>	<u>2,500</u>	<u>573,446</u>
Net assets released from restrictions	<u>99,415</u>	<u>(99,415)</u>	<u>-</u>
Total support and revenue	<u>670,361</u>	<u>(96,915)</u>	<u>573,446</u>
Expenses:			
Program services:			
Child development	147,939	-	147,939
Youth development	115,037	-	115,037
Adult development	114,722	-	114,722
Community outreach	34,436	-	34,436
Total program services	<u>412,134</u>	<u>-</u>	<u>412,134</u>
Supporting services:			
Management and general	<u>209,541</u>	<u>-</u>	<u>209,541</u>
Total expenses	<u>621,675</u>	<u>-</u>	<u>621,675</u>
Change in net assets	48,686	(96,915)	(48,229)
Net assets at beginning of year	<u>339,813</u>	<u>99,415</u>	<u>439,228</u>
Net assets at end of year	<u><u>\$ 388,499</u></u>	<u><u>\$ 2,500</u></u>	<u><u>\$ 390,999</u></u>

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
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014

	Program Services					
	Child Development	Youth Development	Adult Development	Community Outreach	Total Program Services	Management and General
						Total
Salaries	\$ 80,883	\$ 74,620	\$ 29,036	\$ 13,957	\$ 198,496	\$ 45,959
Payroll taxes and benefits	14,349	9,230	4,172	1,466	29,217	6,314
Total salaries and related expenses	95,232	83,850	33,208	15,423	227,713	52,273
Food	9,645	-	49,163	245	59,053	-
Occupancy	20,235	5,043	5,183	1,230	31,691	10,846
Professional fees	7,250	1,450	2,060	435	11,195	26,241
Supplies and materials	1,889	11,970	12,074	10,462	36,395	-
Contract labor	-	4,701	5,383	3,382	13,466	-
Building maintenance and repairs	6,618	1,117	1,453	485	9,673	3,732
Insurance	323	538	-	-	861	12,274
Telephone	3,643	1,929	947	196	6,715	1,941
Service contracts	1,427	585	371	86	2,469	4,874
In-kind	-	995	3,787	350	5,132	1,605
Other	240	30	202	184	656	5,549
Travel	867	2,109	511	606	4,093	561
Interest	-	-	-	-	-	3,564
Office supplies	410	428	59	694	1,591	1,337
Equipment rent and maintenance	159	32	41	10	242	967
Conferences and meetings	-	260	45	535	840	84
Postage	1	-	235	113	349	483
Advertising	-	-	-	-	-	491
Total nonpersonnel expenses	52,707	31,187	81,514	19,013	184,421	74,549
Total before depreciation	147,939	115,037	114,722	34,436	412,134	126,822
Depreciation	-	-	-	-	-	82,719
Total expenses	\$ 147,939	\$ 115,037	\$ 114,722	\$ 34,436	\$ 412,134	\$ 209,541
						\$ 621,675

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (77,171)	\$ (48,229)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	85,182	82,719
Changes in operating assets and liabilities:		
Accounts receivable	(1,137)	43,207
Pledge Receivable	(15,000)	-
Prepaid expenses	5,653	(6,044)
Accounts payable and accrued expenses	2,746	(51,921)
Net cash provided by operating activities	<u>273</u>	<u>19,732</u>
Cash flows from investing activities:		
Purchases of property and equipment	(23,873)	(117,245)
Disposal of property and equipment	-	6,245
Net cash used in investing activities	<u>(23,873)</u>	<u>(111,000)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(686)	(2,813)
Net cash used in financing activities	<u>(686)</u>	<u>(2,813)</u>
Net decrease in cash and cash equivalents	(24,286)	(94,081)
Cash and cash equivalents at beginning of year	62,823	156,904
Cash and cash equivalents at end of year	<u>\$ 38,537</u>	<u>\$ 62,823</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 3,059</u>	<u>\$ 3,564</u>

See accompanying notes.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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 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:

Child Development – serves children of at-risk families by providing quality childcare, aftercare and reading programs. Effective September 30, 2013, childcare for children ages one through ten years old was no longer offered.

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.

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 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, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 has no permanently restricted net assets as of June 30, 2015 or 2014.

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, 2015 and 2014.

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.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledge Receivable

Pledges due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. Management expects the pledge receivable outstanding at June 30, 2015 to be paid in full.

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, 2012 through June 30, 2015. There are no tax penalties or interest reported in the accompanying financial statements.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

Donated materials, equipment 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, 2015 and 2014, the value of contributed services from individuals meeting the requirements for recognition in the financial statements was not significant and has not been recorded.

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 25, 2016, 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.

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Receivables related to governmental agencies – contracts and grants	\$ <u>4,764</u>	\$ <u>3,627</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 1,378,325	\$ 1,354,452
Furniture and equipment	533,281	533,281
Vehicles	<u>8,269</u>	<u>8,269</u>
	1,919,875	1,896,002
Less accumulated depreciation	<u>(1,593,199)</u>	<u>(1,508,017)</u>
	<u>\$ 326,676</u>	<u>\$ 387,985</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 – NOTES PAYABLE

Notes payable consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Note payable to bank – variable interest rate (4.95% at June 30, 2015); secured by balances held by the bank; matures August 2018.	\$ 50,000	\$ 50,000
Note payable to bank – interest 6.00%; secured by balances held by the bank and property; matures August 2014.	<u>-</u>	<u>686</u>
	<u>\$ 50,000</u>	<u>\$ 50,686</u>

BETHLEHEM CENTERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 4 – NOTES PAYABLE (Continued)

Maturities of estimated principal payments are as follows:

Year ending <u>June 30,</u>	
2016	\$ -
2017	-
2018	-
2019	<u>50,000</u>
	<u>\$ 50,000</u>

NOTE 5 – RESTRICTIONS ON NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Predators Foundation – fiscal 2015 fall festival	\$ -	\$ 2,500
Baptist Healing Trust – pledge receivable	15,000	-
Community Foundation – senior program	<u>2,125</u>	<u>-</u>
	<u>\$ 17,125</u>	<u>\$ 2,500</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 significant effect on the programs and services of the Organization.