

BETHLEHEM CENTERS OF NASHVILLE

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

BETHLEHEM CENTERS OF NASHVILLE
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Report of Independent Auditor

To the Board of Directors
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, 2019 and 2018, 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, 2019 and 2018, 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.

Changes in Financial Statement Presentation

As discussed in Note 2 of the financial statements, Bethlehem Centers of Nashville adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Cherry Bekart LLP

Nashville, Tennessee
November 25, 2019

BETHLEHEM CENTERS OF NASHVILLE
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 83,530	\$ 151,385
Certificates of deposit	100,600	-
Investments	5,671	5,671
Accounts receivable	22,700	27,221
Prepaid expenses	2,674	4,902
Total Current Assets	215,175	189,179
Property and equipment, net	68,445	123,406
Total Assets	\$ 283,620	\$ 312,585
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 18,870	\$ 26,268
Total Liabilities	18,870	26,268
Net Assets:		
Without donor restrictions	264,750	286,317
Total Net Assets	264,750	286,317
Total Liabilities and Net Assets	\$ 283,620	\$ 312,585

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Contributions and grants (includes \$4,770 of in-kind)	\$ 293,043	\$ -	\$ 293,043
United Way	88,548	-	88,548
Federal and state awards	105,169	-	105,169
Sponsoring organization	26,354	-	26,354
Other	37,767	-	37,767
	<u>550,881</u>	<u>-</u>	<u>550,881</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>550,881</u>	<u>-</u>	<u>550,881</u>
Expenses:			
Program Services:			
Adult development	171,628	-	171,628
Youth development	123,274	-	123,274
Community outreach	52,320	-	52,320
Total Program Services	<u>347,222</u>	<u>-</u>	<u>347,222</u>
Supporting Services:			
Management and general	215,926	-	215,926
Fundraising	9,300	-	9,300
Total Supporting Services	<u>225,226</u>	<u>-</u>	<u>225,226</u>
Total Expenses	<u>572,448</u>	<u>-</u>	<u>572,448</u>
Change in net assets	(21,567)	-	(21,567)
Net assets at beginning of year	<u>286,317</u>	<u>-</u>	<u>286,317</u>
Net assets at end of year	<u>\$ 264,750</u>	<u>\$ -</u>	<u>\$ 264,750</u>

The accompanying notes to the financial statements are an integral part of these statements.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Contributions and grants (includes \$8,884 of in-kind)	\$ 252,545	\$ -	\$ 252,545
United Way	97,859	-	97,859
Federal and state awards	94,918	-	94,918
Sponsoring organization	32,708	-	32,708
Other	38,149	-	38,149
	516,179	-	516,179
Net assets released from restrictions	10,000	(10,000)	-
Total Support and Revenues	526,179	(10,000)	516,179
Expenses:			
Program Services:			
Adult development	161,762	-	161,762
Youth development	100,356	-	100,356
Community outreach	71,317	-	71,317
Total Program Services	333,435	-	333,435
Supporting Services:			
Management and general	244,764	-	244,764
Fundraising	8,400	-	8,400
Total Supporting Services	253,164	-	253,164
Total Expenses	586,599	-	586,599
Change in net assets	(60,420)	(10,000)	(70,420)
Net assets at beginning of year	346,737	10,000	356,737
Net assets at end of year	\$ 286,317	\$ -	\$ 286,317

The accompanying notes to the financial statements are an integral part of these statements.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services			
	Adult Development	Youth Development	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 52,892	\$ 75,542	\$ 16,022	\$ 144,456	\$ 29,434	\$ 9,300	\$ 38,734	\$ 183,190
Payroll taxes and benefits	3,112	1,492	597	5,201	13,544	-	13,544	18,745
Total Salaries and Related Expenses	56,004	77,034	16,619	149,657	42,978	9,300	52,278	201,935
Occupancy	12,706	15,956	15,956	44,618	19,023	-	19,023	63,641
Supplies and materials (includes \$4,770 in-kind)	33,189	9,109	11,179	53,477	7,701	-	7,701	61,178
Food	50,094	-	52	50,146	-	-	-	50,146
Contract labor	10,348	12,130	5,388	27,866	4,480	-	4,480	32,346
Professional fees	-	-	-	-	30,836	-	30,836	30,836
Building maintenance and repairs	205	205	205	615	16,643	-	16,643	17,258
Insurance	-	430	431	861	13,156	-	13,156	14,017
Equipment rent and maintenance	-	392	18	410	11,062	-	11,062	11,472
Other	954	650	694	2,298	8,402	-	8,402	10,700
Travel	5,859	4,368	120	10,347	-	-	-	10,347
Telephone	1,433	2,500	1,433	5,366	2,028	-	2,028	7,394
Advertising	50	-	-	50	1,501	-	1,501	1,551
Printing and reproduction	-	-	-	-	1,382	-	1,382	1,382
Postage	286	50	225	561	656	-	656	1,217
Conferences and meetings	500	450	-	950	74	-	74	1,024
Total Nonpersonnel Expenses	115,624	46,240	35,701	197,565	116,944	-	116,944	314,509
Total before Depreciation	171,628	123,274	52,320	347,222	159,922	9,300	169,222	516,444
Depreciation	-	-	-	-	56,004	-	56,004	56,004
Total Expenses	\$ 171,628	\$ 123,274	\$ 52,320	\$ 347,222	\$ 215,926	\$ 9,300	\$ 225,226	\$ 572,448

The accompanying notes to the financial statements are an integral part of these statements.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services			Total
	Adult Development	Youth Development	Community Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 43,776	\$ 62,965	\$ 27,476	\$ 134,217	\$ 31,081	\$ 8,400	\$ 39,481	\$ 173,698
Payroll taxes and benefits	5,785	2,460	1,618	9,863	8,679	-	8,679	18,542
Total Salaries and Related Expenses	49,561	65,425	29,094	144,080	39,760	8,400	48,160	192,240
Occupancy	12,129	15,754	16,482	44,365	20,604	-	20,604	64,969
Food	49,471	-	138	49,609	-	-	-	49,609
Supplies and materials (includes \$8,884 in-kind)	27,606	7,448	10,936	45,990	2,217	-	2,217	48,207
Professional fees	-	-	-	-	33,852	-	33,852	33,852
Contract labor	10,221	1,870	10,482	22,573	4,240	-	4,240	26,813
Building maintenance and repairs	1,169	1,169	1,169	3,507	20,822	-	20,822	24,329
Insurance	-	430	431	861	12,879	-	12,879	13,740
Travel	8,383	2,256	408	11,047	107	-	107	11,154
In-kind	-	-	-	-	8,884	-	8,884	8,884
Other	265	-	105	370	8,189	-	8,189	8,559
Equipment rent and maintenance	120	427	120	667	6,901	-	6,901	7,568
Telephone	1,145	2,233	1,145	4,523	1,567	-	1,567	6,090
Service contracts	687	1,237	467	2,391	3,182	-	3,182	5,573
Office supplies	886	1,127	340	2,353	1,633	-	1,633	3,986
Conferences and meetings	70	980	-	1,050	-	-	-	1,050
Postage	49	-	-	49	946	-	946	995
Advertising	-	-	-	-	950	-	950	950
Total Nonpersonnel Expenses	112,201	34,931	42,223	189,355	126,973	-	126,973	316,328
Total before Depreciation	161,762	100,356	71,317	333,435	166,733	8,400	175,133	508,568
Depreciation	-	-	-	-	78,031	-	78,031	78,031
Total Expenses	\$ 161,762	\$ 100,356	\$ 71,317	\$ 333,435	\$ 244,764	\$ 8,400	\$ 253,164	\$ 586,599

The accompanying notes to the financial statements are an integral part of these statements.

BETHLEHEM CENTERS OF NASHVILLE
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (21,567)	\$ (70,420)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,004	78,031
Changes in operating assets and liabilities:		
Accounts receivable	4,521	(11,501)
Pledge receivables	-	10,000
Prepaid expenses	2,228	(836)
Accounts payable and accrued expenses	(7,398)	5,161
Net cash provided by operating activities	<u>33,788</u>	<u>10,435</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,043)	-
Purchase of certificates of deposit	(100,600)	-
Net cash used in investing activities	<u>(101,643)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(67,855)	10,435
Cash and cash equivalents at beginning of year	<u>151,385</u>	<u>140,950</u>
Cash and cash equivalents at end of year	<u><u>\$ 83,530</u></u>	<u><u>\$ 151,385</u></u>

BETHLEHEM CENTERS OF NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Nature of operations and 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 (“U.S. GAAP”), as prescribed for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net Assets With Donor Restrictions – 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions. The Organization had no net assets with donor restrictions at June 30, 2019 or 2018.

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. The cash accounts are held primarily by financial institutions and at times may exceed amounts that are federally insured. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk related to its cash held at financial institutions.

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, 2019 and 2018.

BETHLEHEM CENTERS OF NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Contributions – Contributions are recognized when received as contributions without restriction if specified for the current period and there are no donor-imposed restrictions. Contributions specified for future periods or with donor-imposed restrictions are recognized in the period received as contributions with restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the year in which the contributions are recognized.

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 (“FASB”) 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. There are no tax penalties or interest reported in the accompanying financial statements.

New Accounting Pronouncement – On August 18, 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted these new accounting requirements retrospectively to all periods presented in its financial statements, with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09. The amendments in this update create Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. This guidance is effective for the year ending June 30, 2020. Management is currently evaluating the impact of this standard on the Organization's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that requires substantially all leases to be capitalized on the statement of financial position. This guidance is effective for the year ending June 30, 2022. Management is currently evaluating the impact of this standard on the Organization's financial statements.

BETHLEHEM CENTERS OF NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the year ending June 30, 2021. Management is currently evaluating the impact of this standard on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This guidance is effective for the year ending June 30, 2020. Management is currently evaluating the impact of this standard on the Organization's financial statements.

Donated Materials and Services – Donated materials and vendor services, if any, are reflected as contributions and expenses in the accompanying statements of activities 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, 2019 and 2018, 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 net assets with donor restrictions to net assets without donor restrictions at that time.

Use of Estimates – The preparation of financial statements in conformity with U.S. 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.

Allocation of Functional Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Accordingly, certain costs have been categorized based on specific identification of costs incurred or allocated as determined by management.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll and related expenses	Time and effort

Subsequent Events – The Organization evaluated subsequent events through November 25, 2019 when these financial statements were available to be issued.

BETHLEHEM CENTERS OF NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing programs and services designed to empower at-risk children and adults as well as to conduct services undertaken to support these services to be general expenditures.

As part of the Organization's liquidity management, it structures financial assets to be available as its general expenditures, liabilities, and other obligations become due. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following at June 30, 2019:

Financial assets:

Cash and cash equivalents	\$	83,530
Certificates of deposit		100,600
Investments		5,671
Accounts receivable		22,700
Financial assets available to meet general expenditures within one year	\$	<u>212,501</u>

Note 3—Accounts receivable

Accounts receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Receivables related to governmental agencies - contracts and grants	<u>\$ 22,700</u>	<u>\$ 27,221</u>

Note 4—Property and equipment

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 1,410,726	\$ 1,410,726
Furniture and equipment	539,370	538,327
Vehicles	8,269	8,269
	<u>1,958,365</u>	<u>1,957,322</u>
Less accumulated depreciation	<u>(1,889,920)</u>	<u>(1,833,916)</u>
	<u>\$ 68,445</u>	<u>\$ 123,406</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.

BETHLEHEM CENTERS OF NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5—Note payable

The Organization has a line of credit agreement with a financial institution that allows for borrowings up to \$50,000. The line of credit bears interest at a variable rate based on the prime rate (7.25% at June 30, 2019); is secured by balances held by the lender; and matures on demand at lender's sole discretion. No balances were outstanding on this line of credit as of June 30, 2019 and 2018.

Note 6—Concentrations

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.