

**CENTER FOR YOUTH MINISTRY TRAINING**

**AUDIT OF FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**CENTER FOR YOUTH MINISTRY TRAINING  
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## **R. SCOTT DIXON**

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### **Independent Auditor's Report**

To the Board of Directors  
Center for Youth Ministry Training  
309 Franklin Road  
Brentwood, Tennessee 37027

We have audited the accompanying financial statements of Center for Youth Ministry Training (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities 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 audit. 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 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.

*(continued)*

### **Independent Auditor's Report, continued**

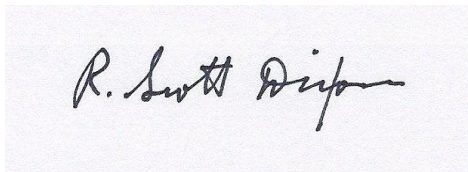
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Youth Ministry Training as of June 30, 2014 and 2013, 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.

#### **Other-matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such other information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, reading "R. Scott Dwyer". The signature is written in a cursive style with a horizontal line extending from the end.

Nashville, Tennessee  
October 16, 2014

**CENTER FOR YOUTH MINISTRY TRAINING**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

***NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Who We Are and What We Do** – Center for Youth Ministry Training is an organization exempt from income tax incorporated under the laws of the state of Tennessee on February 27, 2006. The Center is the creation from a shared vision of Brentwood United Methodist Church and First Presbyterian Church in Nashville for an institute to provide training of youth ministers, particularly those entering their first youth ministry positions. The Center accepts graduate level students who participate in a curriculum earning credits for a degree of Master of Arts in Youth Ministry through their affiliation with Memphis Theological Seminary. The Center provides theological and practical training for churches with established youth ministry programs and their youth leaders, but the primary focus is that of an educational institution developing dynamic partnerships between the Center's Graduate Residents and participating Partner Churches which culminates in the establishment of sustainable and vibrant youth ministry programs. CYMT trains and educates. CYMT builds foundations. CYMT creates life-changing youth ministries.

The Center is governed by a board of directors. The Center's support comes primarily through donor contributions, grants, student residency fees, and fees from churches participating in the Center's youth ministry program.

**Basis of Accounting and Presentation** – The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendations and requirements of the Financial Accounting Standards Board in its Accounting Standards Codification No. 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**Recognition of Donor Contributions and Support** – Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Unrestricted support is recognized as revenues and an increase in unrestricted net assets in the period it is earned. Temporarily restricted support is reported as an increase in temporarily restricted net assets. When net assets are released from the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Center has no permanently restricted net assets.

**CENTER FOR YOUTH MINISTRY TRAINING**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014 AND 2013**

***NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Center considers money market funds and all highly liquid investments purchased and available for current use with an initial maturity of three months or less to be cash equivalents.

**Investments** – Investments in marketable securities with readily determinable market values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities (See additionally, Note 7.).

**Property and Equipment** – Property and equipment is reported at cost or, if donated, at the approximate fair value at the time of donation, and include improvements that significantly add to utility or extend useful lives. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is provided for over estimated useful lives of 5 years for office equipment and 10 years for furniture and leasehold improvements (See additionally, Note 5.). Donations of property and equipment are recorded as support at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

**Income Taxes** – The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws.

The Center's Forms 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

**Advertising Costs** -- Costs incurred for advertising and marketing are expensed when incurred. Advertising and marketing expenses are allocated to the Center's program services if primarily benefited or, if primarily benefiting the Organization in nature, to management and general expenses.

**Reclassifications** -- Certain reclassifications have been made to the June 30, 2013 financial statements to conform to the current year's presentation. Net assets and change in net assets are unaffected due to these reclassifications.

**CENTER FOR YOUTH MINISTRY TRAINING**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014 AND 2013**

***NOTE 2 – DONATED SERVICES, MATERIALS AND FACILITIES***

The Center receives donated services from unpaid volunteers assisting in its administration and in its program services. The Center recognizes donated services in the accompanying statement of activities if the criteria for recognition of such volunteer effort under FASB ASC 958 have been satisfied.

The Center received donated legal services from an attorney. Management has estimated the fair value of these donated services to be \$4,500, for each of the years ended June 30, 2014 and 2013, based on the approximate amount of time the attorney devoted to providing the services and the attorney's customary hourly fee. This amount is included as in-kind donations and management and general expenses in the statement of activities.

The Center utilizes approximately 1,428 square feet of office facilities owned by Brentwood United Methodist Church. For each of the years ended June 30, 2014 and 2013, management has estimated the fair value of the donated use of the facilities to be \$21 per square foot with a discount of 15% for limited use, for an approximate total of \$25,000 on an annual basis. The market rate per square foot is an average amount based on comparable rental rates for commercial properties in the immediate area as supplied by a real estate brokerage firm. This amount is included as in-kind donations and allocated \$5,000 to program services expenses and \$20,000 to management and general expenses in the statement of activities.

The Center utilizes a house owned by First Presbyterian Church for use as student housing. The house contains approximately 2,350 square feet. For each of the years ended June 30, 2014 and 2013, management has estimated the fair value of the donated housing to be \$.90 per square foot on a monthly basis, or approximately \$25,000 annually. The market rate per square foot is based on comparable rental rates of houses in the immediate area as supplied by an on-line home and real estate marketplace. This amount is included as in-kind donations and program service expenses in the statement of activities.

***NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES***

The costs of providing the Center's youth ministry program and the costs of administration have been presented in the separate statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**CENTER FOR YOUTH MINISTRY TRAINING**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014 AND 2013**

***NOTE 4 – EMPLOYEE LOAN***

The employee loan, in the amount of \$8,000 and \$12,000, respectively for the years ended June 30, 2014 and 2013, is for the purpose of purchasing a residence pursuant to the policies and procedures of the Center's Employer Assisted Housing Program Agreement. The Center's intention is to forgive the loan, in the original amount of \$20,000, ratably over a period of five years. During the term of the loan the employee must remain in the employment of the Center and the home must remain the primary residence of the employee. Certain terminating events may cause the loan to become immediately due and payable.

***NOTE 5 – PROPERTY AND EQUIPMENT***

Property and equipment consist of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Office equipment	\$ 24,570	\$ 21,858
Furniture and fixtures	8,032	7,896
Leasehold improvements	<u>8,860</u>	<u>8,860</u>
	41,462	38,614
Less: accumulated depreciation	( <u>28,256</u> )	( <u>23,973</u> )
Property and equipment, net	<u>\$ 13,206</u>	<u>\$ 14,641</u>

***NOTE 6 – INVESTMENT RETURNS***

The following schedule summarizes investment returns and their classification in the statement of activities for the year ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Interest income	\$ 2,948	\$ 2
Dividends and capital gain distributions	25,844	14,699
Realized gains on sale of investments	<u>46,748</u>	<u>4,544</u>
Total investment returns	<u>\$ 75,540</u>	<u>\$ 19,245</u>



**CENTER FOR YOUTH MINISTRY TRAINING**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014 AND 2013**

***NOTE 7 – FAIR VALUES OF FINANCIAL INSTRUMENTS***

The carrying amounts of cash and cash equivalents, program service receivables and payables reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments in securities are reported at fair value on a recurring basis by reference to quoted market prices and other relevant information generated by market transactions.

There are no assets for which significant observable inputs (Level 2) or significant unobservable inputs (Level 3) were used as a measurement of fair value at June 30, 2014 and 2013.

The fair value (Level 1) measurements at June 30, 2014 and 2013 are as follows:

<i>Description</i>	<u>2014</u>	<u>2013</u>
Equities	\$ 9,964	\$ 28,676
Corporate/Government Bonds	213,094	-
Mutual Funds	<u>523,026</u>	<u>564,886</u>
Total investments in securities	<u>\$746,084</u>	<u>\$593,562</u>

The Center recognizes transfers of assets into and out of levels within the fair value hierarchy of those measurements as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2014 and 2013.

***NOTE 8 – RESTRICTIONS ON NET ASSETS***

Temporarily restricted net assets of \$40,000 at June 30, 2013, were restricted as to the passage of time and were donated in support of the Center's recruiting a Ph.D. professor to serve as the Center's academic dean. These temporarily restricted net assets are fully released from restrictions and available for use during the year ended June 30, 2014.

**CENTER FOR YOUTH MINISTRY TRAINING**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014 AND 2013**

***NOTE 8 – RESTRICTIONS ON NET ASSETS (continued)***

The organization received \$240,000 restricted for the funding of the Theology Together youth ministry project. The grant period is from October 1, 2013, through December 31, 2016. Use of the grant funds is restricted solely to the purpose of the grant. Expenses incurred for the project, releasing net assets from temporary restrictions, were as follows during the year ended June 30, 2014:

Event expenses	\$ 4,407
Salaries, benefits and taxes	14,186
Executive director	<u>2,125</u>
Total Theology Together expenses	<u>\$20,718</u>

***NOTE 9 -- CASH AND CONCENTRATIONS OF CREDIT RISK***

The cash accounts are held by financial institutions that at times may exceed amounts that are federally insured. It is the opinion of management that the solvency of the referenced financial institutions is not of concern currently.

***NOTE 10 – SUBSEQUENT EVENTS***

The organization received a grant in the amount of \$135,000 on September 9, 2014. The purpose of the grant is for support of the organization's academic director and professor of youth ministry. The grant is receivable in the amount of \$45,000 each, by March 31, 2015, 2016 and 2017.

The Center has evaluated subsequent events through October 16, 2014, the date which the financial statements were available to be issued.

**END OF NOTES**