

**BETHLEHEM CENTERS OF NASHVILLE**

**FINANCIAL STATEMENTS**

**June 30, 2005 and 2004**

# BETHLEHEM CENTERS OF NASHVILLE

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Bethlehem Centers of Nashville  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Bethlehem Centers of Nashville (a nonprofit organization) as of June 30, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 audits provide 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 Bethlehem Centers of Nashville as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Frasier, Dean & Howard, PLLC*

October 21, 2005

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2005 and 2004

	<b>Assets</b>	
	<b>2005</b>	<b>2004</b>
Current assets:		
Cash and cash equivalents	\$ 20,230	\$ 16,358
Investments	6,462	6,462
Accounts receivable, net	132,555	140,020
Unconditional promises to give, net	42,719	55,646
Prepaid expenses and other	36,495	47,489
	<hr/>	<hr/>
Total current assets	238,461	265,975
	<hr/>	<hr/>
Camp Dogwood renovations, net	68,893	77,687
Property and equipment, net	435,357	483,091
	<hr/>	<hr/>
Total assets	<u>\$ 742,711</u>	<u>\$ 826,753</u>
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Checks issued in excess of deposits	\$ 2,254	\$ 76,812
Accounts payable and accrued expenses	59,679	97,781
Line of credit	149,609	63,046
Note payable	36,495	45,557
	<hr/>	<hr/>
Total current liabilities	248,037	283,196
	<hr/>	<hr/>
Net assets:		
Unrestricted	394,438	396,475
Temporarily restricted	100,236	147,082
	<hr/>	<hr/>
Total net assets	494,674	543,557
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 742,711</u>	<u>\$ 826,753</u>
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See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Program service fees	\$ 566,658	\$ -	\$ 566,658
Federal and state awards	525,680	-	525,680
Contributions and grants	398,839	23,760	422,599
United Way	204,963	42,719	247,682
Special event	64,090	-	64,090
Sponsoring organization	36,196	12,500	48,696
Other	5,900	-	5,900
	<u>1,802,326</u>	<u>78,979</u>	<u>1,881,305</u>
Net assets released from restrictions satisfied by payments	<u>125,825</u>	<u>(125,825)</u>	<u>-</u>
Total support and revenue	<u>1,928,151</u>	<u>(46,846)</u>	<u>1,881,305</u>
Expenses:			
Program services:			
Child development	944,986	-	944,986
Youth development	292,066	-	292,066
Adult development	296,802	-	296,802
Seniors	72,141	-	72,141
Community outreach	102,892	-	102,892
	<u>1,708,887</u>	<u>-</u>	<u>1,708,887</u>
Supporting services:			
Marketing and development	88,403	-	88,403
Management and general	132,898	-	132,898
	<u>221,301</u>	<u>-</u>	<u>221,301</u>
Total expenses	<u>1,930,188</u>	<u>-</u>	<u>1,930,188</u>
Change in net assets	(2,037)	(46,846)	(48,883)
Net assets at beginning of year	<u>396,475</u>	<u>147,082</u>	<u>543,557</u>
Net assets at end of year	<u>\$ 394,438</u>	<u>\$ 100,236</u>	<u>\$ 494,674</u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Program service fees	\$ 585,612	\$ -	\$ 585,612
Federal and state awards	762,454	-	762,454
Contributions and grants	211,195	-	211,195
United Way	326,914	55,646	382,560
Stand and Build campaign	158,797	-	158,797
In-kind revenue	51,675	-	51,675
Special events and fundraising	45,763	-	45,763
Consulting income	35,750	-	35,750
Sponsoring organization	35,464	75,000	110,464
Other	2,088	-	2,088
Dividend and interest income	1,068	-	1,068
	<u>2,216,780</u>	<u>130,646</u>	<u>2,347,426</u>
Net assets released from restrictions satisfied by payments	<u>120,027</u>	<u>(120,027)</u>	<u>-</u>
Total support and revenue	<u>2,336,807</u>	<u>10,619</u>	<u>2,347,426</u>
Expenses:			
Program services:			
Child development	829,678	-	829,678
Youth development	645,754	-	645,754
Adult development	135,658	-	135,658
Seniors	74,911	-	74,911
Community outreach	179,556	-	179,556
	<u>1,865,557</u>	<u>-</u>	<u>1,865,557</u>
Supporting services:			
Marketing and development	168,690	-	168,690
Management and general	359,932	-	359,932
	<u>528,622</u>	<u>-</u>	<u>528,622</u>
Total expenses	<u>2,394,179</u>	<u>-</u>	<u>2,394,179</u>
Change in net assets	(57,372)	10,619	(46,753)
Net assets at beginning of year	<u>453,847</u>	<u>136,463</u>	<u>590,310</u>
Net assets at end of year	<u>\$ 396,475</u>	<u>\$ 147,082</u>	<u>\$ 543,557</u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended June 30, 2005

	Program Services						Marketing and Development	Management and General	Total
	Child Development	Youth Development	Adult Development	Seniors	Community Outreach	Subtotal			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries	547,804	147,281	154,182	38,208	21,174	908,649	31,897	23,588	964,134
Payroll taxes and benefits	98,016	22,973	29,176	7,146	3,797	161,108	5,440	7,404	173,952
Total salaries and related expenses	645,820	170,254	183,358	45,354	24,971	1,069,757	37,337	30,992	1,138,086
Contract labor	20,130	47,122	68,313	1,258	2,050	138,873	3,203	5,835	147,911
Food	106,162	-	915	15,014	-	122,091	-	20	122,111
Occupancy	64,738	13,317	14,213	3,293	6,257	101,818	3,749	15,268	120,835
Supplies and materials	26,979	33,707	8,018	1,106	15,779	85,589	1,096	1,569	88,254
Professional fees	23,644	1,312	1,374	340	41,631	68,301	3,466	1,578	73,345
Insurance	16,285	4,235	9,854	1,098	1,790	33,262	1,019	5,094	39,375
Fundraising	-	-	-	-	-	-	34,544	-	34,544
Travel	10,533	11,711	2,420	1,597	3,369	29,630	8	4,562	34,200
Other	11,333	3,477	2,968	737	1,313	19,828	1,366	5,089	26,283
Telephone	7,293	2,115	3,269	743	2,391	15,811	329	1,466	17,606
Conferences and meetings	5,063	1,414	353	142	1,839	8,811	220	216	9,247
Interest expense	3,577	930	974	241	393	6,115	224	1,119	7,458
Vehicles	1,806	467	388	1,123	848	4,632	80	2,665	7,377
Printing and reproduction	236	881	67	16	50	1,250	1,548	74	2,872
Equipment rent and maintenance	1,387	304	318	79	211	2,299	73	366	2,738
Advertising	-	820	-	-	-	820	120	-	940
Bad debt	-	-	-	-	-	-	21	-	21
Total nonpersonnel expenses	299,166	121,812	113,444	26,787	77,921	639,130	51,066	44,921	735,117
Total before depreciation	944,986	292,066	296,802	72,141	102,892	1,708,887	88,403	75,913	1,873,203
Depreciation	-	-	-	-	-	-	-	56,985	56,985
Total expenses	\$ 944,986	\$ 292,066	\$ 296,802	\$ 72,141	\$ 102,892	\$ 1,708,887	\$ 88,403	\$ 132,898	\$ 1,930,188

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended June 30, 2004

	Program Services						Marketing and Development	Management and General	Total
	Child Development	Youth Development	Adult Development	Seniors	Community Outreach	Subtotal			
Salaries	\$ 466,127	\$ 272,945	\$ 80,307	\$ 39,208	\$ 62,071	\$ 920,658	\$ 76,325	\$ 163,713	\$ 1,160,696
Payroll taxes and benefits	99,358	43,086	13,668	8,312	13,892	178,316	15,546	24,965	218,827
Total salaries and related expenses	565,485	316,031	93,975	47,520	75,963	1,098,974	91,871	188,678	1,379,523
Supplies and materials	26,630	167,615	2,692	1,872	16,489	215,298	5,321	506	221,125
Contract labor	11,976	96,816	8,058	6,334	3,317	126,501	11,948	28,504	166,953
Occupancy	79,218	26,644	12,577	2,792	2,553	123,784	8,074	14,516	146,374
Professional fees	28,354	1,624	1,624	1,624	62,995	96,221	1,624	27,376	125,221
Food	78,216	49	784	8,584	604	88,237	-	635	88,872
Bad debt	4,284	7,001	5,876	-	6,970	24,131	880	5,000	30,011
Other	6,040	5,258	1,072	885	1,192	14,447	4,842	10,441	29,730
Insurance	11,456	7,685	3,537	-	371	23,049	-	4,117	27,166
Fundraising	-	42	-	-	500	542	21,305	-	21,847
Printing and reproduction	-	328	-	-	1,863	2,191	12,970	1,846	17,007
Equipment rent and maintenance	3,675	5,802	317	159	1,215	11,168	4,259	1,344	16,771
Telephone	6,329	2,754	2,524	597	1,740	13,944	433	825	15,202
Travel	1,811	4,748	247	224	1,965	8,995	-	5,389	14,384
Conferences and meetings	1,265	1,615	1,069	545	829	5,323	2,772	5,151	13,246
Vehicles	4,939	1,742	1,292	3,774	267	12,014	144	-	12,158
Interest expense	-	-	14	1	68	83	-	6,339	6,422
Advertising	-	-	-	-	655	655	2,247	-	2,902
Total nonpersonnel expenses	264,193	329,723	41,683	27,391	103,593	766,583	76,819	111,989	955,391
Total before depreciation	829,678	645,754	135,658	74,911	179,556	1,865,557	168,690	300,667	2,334,914
Depreciation	-	-	-	-	-	-	-	59,265	59,265
Total expenses	\$ 829,678	\$ 645,754	\$ 135,658	\$ 74,911	\$ 179,556	\$1,865,557	\$ 168,690	\$ 359,932	\$ 2,394,179

See accompanying notes.



**BETHLEHEM CENTERS OF NASHVILLE**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ (48,883)	\$ (46,753)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	56,985	59,265
Unrealized gain on investments	-	(1,068)
Camp Dogwood in-kind renovations	-	(40,225)
Changes in operating assets and liabilities:		
Accounts receivable	7,465	(4,958)
Unconditional promises to give	12,927	33,201
Prepaid expenses and other	10,994	(18,241)
Accounts payable and accrued expenses	(38,102)	(2,058)
Net cash provided by (used in) operating activities	<u>1,386</u>	<u>(20,837)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(457)</u>	<u>(23,372)</u>
Net cash used in investing activities	<u>(457)</u>	<u>(23,372)</u>
Cash flows from financing activities:		
Net proceeds from (payments on) line of credit	86,563	(30,297)
Proceeds from note payable	45,619	71,589
Principal payments on note payable	<u>(54,681)</u>	<u>(51,191)</u>
Net cash provided by (used in) financing activities	<u>77,501</u>	<u>(9,899)</u>
Net increase (decrease) in cash and cash equivalents	78,430	(54,108)
Cash and cash equivalents at beginning of year	<u>(60,454)</u>	<u>(6,346)</u>
Cash and cash equivalents at end of year	<u><u>\$ 17,976</u></u>	<u><u>\$ (60,454)</u></u>
Included in the accompanying statements of financial position as follows:		
Cash and cash equivalents	\$ 20,230	\$ 16,358
Checks issued in excess of deposits	<u>(2,254)</u>	<u>(76,812)</u>
	<u><u>\$ 17,976</u></u>	<u><u>\$ (60,454)</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 7,458</u></u>	<u><u>\$ 6,422</u></u>
Supplemental disclosure of non-cash financing and investing activities:		
Camp Dogwood in-kind renovations	<u><u>\$ -</u></u>	<u><u>\$ 40,225</u></u>

See accompanying notes.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005 and 2004**

**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 their families, including complete child care services and various educational, preventive and recreational programs. The Organization’s activities are funded from various sources. 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 child care, reading programs, and participation in the Head Start Program.

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 adult literacy education and workforce development.

Senior Services – serves senior adults by providing meals to the homebound and disabled as well as providing social and advocacy groups.

Community Outreach Services – serves at-risk families by providing emergency food boxes, the Christmas Toy Store, educational programs, family counseling, internships, volunteer opportunities, information, advocacy, referrals, and Family Resource Center.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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 statement of activities as net assets released from restrictions.

Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent during the same fiscal year as permitted by SFAS No. 116.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**June 30, 2005 and 2004**

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

**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.

**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.

**Donated Materials and Services**

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

During the years ended June 30, 2005 and 2004, the value of contributed services meeting the requirements for recognition in the financial statements was not significant and has not been recorded. The Organization receives a significant amount of donated services from unpaid volunteers who assist in various activities.

**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 to 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Accounts Receivable**

Accounts receivable are carried net of an allowance for doubtful accounts receivable which is based on historical experience coupled with a review of the current status of existing receivables.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**June 30, 2005 and 2004**

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

**Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor restrictions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management believes all unconditional promises to give to be collectible at June 30, 2005 and 2004.

**Property and Equipment**

Land, building, furniture, equipment and vehicles 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

**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.

**Advertising Costs**

Advertising costs are generally expensed as incurred.

**NOTE 2 – ACCOUNTS RECEIVABLE**

At June 30, 2005 and 2004, accounts receivable consists of the following:

	<u>2005</u>	<u>2004</u>
Receivables related to		
governmental agencies – contracts and grants	\$ 118,222	\$ 131,349
Other	<u>14,333</u>	<u>8,671</u>
	132,555	140,020
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Accounts receivable, net	<u>\$ 132,555</u>	<u>\$ 140,020</u>

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**June 30, 2005 and 2004**

**NOTE 3 – CAMP DOGWOOD RENOVATIONS**

The Organization is in the process of revitalizing Camp Dogwood, a 200+ acre property located in Cheatham County, Tennessee. Camp Dogwood is owned by the Womens' Division of the United Methodist Church and leased to the Organization to do mission work. Amounts capitalized for renovation efforts at June 30, 2005 and 2004 amounted to \$77,687. Accumulated depreciation at June 30, 2005 amounted to \$8,794. Amounts capitalized during 2004 consist entirely of in-kind contributions.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Land	\$ 3,667	\$ 3,667
Buildings and improvements	973,945	973,488
Furniture and equipment	577,124	577,124
Vehicles	<u>70,025</u>	<u>70,025</u>
	1,624,761	1,624,304
Less accumulated depreciation	<u>(1,189,404)</u>	<u>(1,141,213)</u>
	<u>\$ 435,357</u>	<u>\$ 483,091</u>

**NOTE 5 – LINE OF CREDIT**

The Organization has a line of credit with a financial institution. Borrowings under this agreement bear interest at the bank's prime rate (6.25 percent at June 30, 2005) and require monthly payments of interest only. As of June 30, 2005 and 2004, borrowings outstanding were \$149,609 and \$63,046, respectively. The note is secured by accounts receivable and matures on January 31, 2006.

**NOTE 6 – NOTE PAYABLE**

Note payable consists of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Note payable – Premium Acceptance Corp.; interest 8%, secured by loss payments, dividends, and gross unearned and return insurance premiums; matures January 2006.	<u>\$ 36,495</u>	<u>\$ 45,557</u>

**NOTE 7 – EMPLOYEE BENEFIT PLAN**

The Organization has established a 401(k) retirement plan. This plan is generally available to all employees, and provides for discretionary matching contributions. Total contribution expense for the years ended June 30, 2005 and 2004 was \$0 and \$11,831, respectively.

**BETHLEHEM CENTERS OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**June 30, 2005 and 2004**

**NOTE 8 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are comprised of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
United Way designations	\$ 42,719	\$ 55,646
Camp Dogwood	57,517	89,436
Junior League contribution	<u>-</u>	<u>2,000</u>
Total	<u>\$ 100,236</u>	<u>\$ 147,082</u>

**NOTE 9 – CONCENTRATIONS AND COMMITMENTS**

The Organization receives a substantial amount of its support through United Way and governmental fees and awards, and 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.