

**NASHVILLE AREA CHAPTER OF  
THE AMERICAN RED CROSS**

**FINANCIAL STATEMENTS**

**June 30, 2009 and 2008**

**NASHVILLE AREA CHAPTER OF  
THE AMERICAN RED CROSS**

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FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550  
NASHVILLE, TENNESSEE 37203  
PHONE 615-383-6592 FAX 615-383-7094

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of  
Nashville Area Chapter of the American Red Cross  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Nashville Area Chapter of the American Red Cross (the "Chapter") as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended June 30, 2009. These financial statements are the responsibility of the Chapter's management. Our responsibility is to express an opinion on these financial statements based on our audits. The 2008 summarized comparative information has been derived from the Chapter's 2008 financial statements, and in our report dated August 20, 2008, we expressed an unqualified opinion on those financial statements.

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 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 audit provides 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 Nashville Area Chapter of the American Red Cross as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the year ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

*Frasier, Dean & Howard, PLLC*

August 17, 2009

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,108,971	\$ 746,827
Inter-Red Cross receivables	154,233	607,697
Contributions receivable, net	383,937	407,815
Accounts receivable other, net	69,519	63,020
Inventory	33,870	35,840
Total current assets	<u>1,750,530</u>	<u>1,861,199</u>
Noncurrent assets:		
Investments	61,568	69,358
Contributions receivable	90,450	54,600
Land, building and equipment, net	889,967	933,397
Total noncurrent assets	<u>1,041,985</u>	<u>1,057,355</u>
Total assets	<u><u>\$ 2,792,515</u></u>	<u><u>\$ 2,918,554</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Inter-Red Cross payables	\$ 65,943	\$ 67,003
Accounts payable and accrued expenses	105,943	230,287
Notes payable - current portion	<u>-</u>	<u>1,245</u>
Total liabilities	<u>171,886</u>	<u>298,535</u>
Net assets:		
Unrestricted	1,872,869	1,752,243
Temporarily restricted	714,760	834,776
Permanently restricted	<u>33,000</u>	<u>33,000</u>
Total net assets	<u>2,620,629</u>	<u>2,620,019</u>
Total liabilities and net assets	<u><u>\$ 2,792,515</u></u>	<u><u>\$ 2,918,554</u></u>

See accompanying notes.

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended June 30, 2009  
(with summarized financial information for the year ended June 30, 2008)

	2009				2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support and revenue:					
Monetary contributions	\$ 851,334	\$ 156,130	\$ -	\$1,007,464	\$1,047,472
Course fees and program materials	581,168	-	-	581,168	711,053
Inter-Red Cross revenues	290,915	65,480	-	356,395	341,744
Private and government grants	20,015	281,495	-	301,510	335,865
Special events, net of expenses of \$25,828 in 2009 and \$28,117 in 2008	200,910	-	-	200,910	202,054
United Way and Combined Federal Campaign	37,666	95,090	-	132,756	121,331
Investment loss	(67,635)	-	-	(67,635)	(45,894)
Contracts	91,039	-	-	91,039	73,182
Legacies and bequests	4,220	-	-	4,220	101,347
Other revenue	33,893	-	-	33,893	2,735
Other contributions (in-kind)	6,387	-	-	6,387	1,982
Endowment income (loss)	2,884	-	-	2,884	(375)
Net assets released from restrictions - satisfaction of program restrictions	718,211	(718,211)	-	-	-
Total public support and revenue	2,771,007	(120,016)	-	2,650,991	2,892,496
Expenses:					
Program services:					
Disaster services	731,168	-	-	731,168	858,553
Health and safety services	642,973	-	-	642,973	764,074
Community services	280,172	-	-	280,172	251,693
Service to military families	94,835	-	-	94,835	125,502
International services	27,837	-	-	27,837	42,144
Services to chapters	174,431	-	-	174,431	44,723
Total program services	1,951,416	-	-	1,951,416	2,086,689
Supporting services:					
Fundraising and financial development	493,746	-	-	493,746	463,197
Management and general	205,219	-	-	205,219	256,487
Total supporting services	698,965	-	-	698,965	719,684
Total expenses	2,650,381	-	-	2,650,381	2,806,373
Change in net assets	120,626	(120,016)	-	610	86,123
Net assets, beginning of year	1,752,243	834,776	33,000	2,620,019	2,533,896
Net assets, end of year	\$1,872,869	\$ 714,760	\$ 33,000	\$2,620,629	\$2,620,019

See accompanying notes.

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2009**  
**(with summarized financial information for the year ended June 30, 2008)**

	2009				2008
	Program Services	Fundraising and Financial Development	Management and General	Total	Total
Salaries and wages	\$ 805,774	\$ 260,069	\$ 103,102	\$ 1,168,945	\$ 1,032,982
Financial and material assistance	228,311	61,732	1,297	291,340	407,989
Contractual services	163,735	73,860	39,264	276,859	282,531
National chapter assessment	221,495	-	14,063	235,558	292,424
Employee benefits	176,289	49,709	22,414	248,412	230,966
Equipment repair, supplies, materials, and other	191,534	17,470	7,284	216,288	272,820
Inter-Red Cross expenses	100,127	13,336	5,534	118,997	145,187
Depreciation and amortization	44,379	6,863	6,180	57,422	72,248
Travel	19,772	10,707	6,081	36,560	69,226
	<u>\$ 1,951,416</u>	<u>\$ 493,746</u>	<u>\$ 205,219</u>	<u>\$ 2,650,381</u>	<u>\$ 2,806,373</u>

See accompanying notes.

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 610	\$ 86,123
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	57,422	72,248
Unrealized loss on annuities	63,504	68,033
Provision for doubtful accounts	60,511	92,628
Net unrealized loss (gain) on long-term investments	7,790	(1,605)
Decrease (increase) in accounts and contributions receivable	310,978	(63,830)
Decrease in inventory and other assets	1,970	133
(Decrease) increase in payables and accrued expenses	(125,404)	99,842
Net cash provided by operating activities	<u>377,381</u>	<u>353,572</u>
Cash flows from investing activities:		
Purchases of fixed assets	<u>(13,992)</u>	<u>(28,255)</u>
Net cash used in investing activities	<u>(13,992)</u>	<u>(28,255)</u>
Cash flows from financing activities:		
Principal payments on note payable	<u>(1,245)</u>	<u>(4,779)</u>
Net cash used in financing activities	<u>(1,245)</u>	<u>(4,779)</u>
Increase in cash and cash equivalents	362,144	320,538
Cash and cash equivalents, beginning of year	<u>746,827</u>	<u>426,289</u>
Cash and cash equivalents, end of year	<u>\$ 1,108,971</u>	<u>\$ 746,827</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 184</u>

See accompanying notes.

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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

**Description of Organization**

Nashville Area Chapter of the American Red Cross (the “Chapter”) is an operating unit of the American Red Cross. The American Red Cross is a volunteer, not-for-profit emergency service organization comprised of approximately 750 operating units (including chapters, blood service regions and the national sector) located throughout the United States and its territories. The American Red Cross also operates field stations on United States military installations around the world. The American Red Cross is a single corporate legal entity and produces consolidated financial statements for all chapters, blood service regions and the national sector.

The Chapter, as part of the American Red Cross system, has a mission to help prevent and relieve human suffering. Established in 1917, the Chapter provides disaster relief and community disaster education, aid to military servicemen and their families, CPR, First Aid and other related health and safety courses in the community and in the workplace, international services, and vision and hearing tests in public schools. The Chapter’s jurisdictions are Cheatham, Clay, Davidson, DeKalb, Dickson, Jackson, Macon, Overton, Pickett, Putnam, Robertson, Smith, Sumner, Trousdale, Van Buren, White, and Wilson Counties in Tennessee.

As stated in their Congressional Charter, the American Red Cross is committed to continue and carry on a system of national and international relief in time of peace and apply the same in mitigating the suffering caused by pestilence, famine, fire, floods and other great natural calamities and devise and carry on measures for preventing the same.

All transactions with the national sector and other operating units are appropriately disclosed in the accompanying financial statements. These transactions include disaster relief, national products and services and shared services with other chapters or regions.

The Chapter is governed by a Board of Directors consisting of forty-two members of the Nashville community and an Executive Committee consisting of eleven members of the Board of Directors.

The Chapter and the Tennessee Valley Blood Services Region (“Blood Services”) share the headquarters building and certain occupancy costs, but have separate management and support staffs.

**Basis of Accounting**

The financial statements of the Chapter have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

Management of the Chapter has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2009 and 2008**

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

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Chapter considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Investments**

Investments are recorded at fair market value in accordance with Statement of Financial Accounting Standards ("SFAS") No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Fair market value is determined by using quoted market prices, where available. Where not available, the present value of estimated expected future cash flows or another reasonable method is used. Investments of the permanently restricted net assets class consist of collective funds, managed by the American Red Cross national sector. These investments are stated at market value of \$61,568 at June 30, 2009 and \$69,358 at June 30, 2008, while the cost of these investments at June 30, 2009 and 2008 is \$33,000.

**Inventory**

Supplies inventory purchased for use in program services is carried at the lower of first-in, first-out cost or market.

**Land, Building and Equipment**

Purchases of land, building and equipment having a unit cost in excess of \$2,500 and an estimated useful life of three or more years are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Donated assets are capitalized at the estimated fair market value at the time of receipt. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support.

The cost of the headquarters building has been allocated between the Chapter and Blood Services based primarily upon the Chapter's proceeds from the sale of the former building.

**Basis of Presentation**

The Chapter has adopted SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Chapter 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 Chapter is required to present a statement of cash flows. Net assets of the Chapter are presented as follows:

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2009 and 2008**

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

**Basis of Presentation (Continued)**

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 Chapter 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.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Chapter. Generally, donors of these assets may permit the Chapter to use all or part of the income earned for general or specific purposes.

**Contributions**

All contributions are considered to be available for the general programs of the Chapter unless restricted by the donor. The Chapter reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

**Donated Services**

Amounts are reported in the financial statements for voluntary donations of services only when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation. A substantial number of volunteers donate significant amounts of their time in the Chapter's program services and its fundraising campaigns that have not been reported in the accompanying financial statements because the services do not create or enhance nonfinancial assets and no objective basis is available to measure the value of such donations.

**Expense Allocation**

General, administrative and public relations expenses have been allocated among functional expense categories based upon estimates by management.

**Income Taxes**

The Chapter is an operating unit of a national organization exempt from taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in these financial statements.

**Reclassifications**

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2009 and 2008**

**NOTE 2 – CONTRIBUTIONS RECEIVABLE**

The Chapter has included unconditional promises to give as contributions receivable in accordance with the provisions of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions are scheduled to be received as follows at June 30:

	<u>2009</u>	<u>2008</u>
Amount receivable within one year	\$ 429,147	\$ 456,565
Amount receivable in 1 to 5 years	<u>90,450</u>	<u>54,600</u>
	519,597	511,165
Less allowance for uncollectible contributions	<u>(45,210)</u>	<u>(48,750)</u>
Contributions receivable, net	<u>\$ 474,387</u>	<u>\$ 462,415</u>

**NOTE 3 – SPLIT INTEREST AGREEMENTS**

The Chapter has been named beneficiary of certain charitable gift annuities (“annuities”). Assets contributed related to the annuities are held at national headquarters of the American Red Cross. The difference in the fair value of the assets contributed and the present value of the estimated future distributions to be paid has been recorded as contribution revenue at the time of gift. Amounts included in Inter-Red Cross receivables for annuities were \$127,229 and \$571,479 at June 30, 2009 and 2008, respectively. The annuities decreased in value by \$63,504 and \$68,033 for the years ended June 30, 2009 and 2008, respectively.

**NOTE 4 – LAND, BUILDING AND EQUIPMENT**

A summary of land, building and equipment at June 30 is as follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 203,156	\$ 203,156
Building and improvements	1,301,813	1,301,813
Equipment and automobiles	<u>427,086</u>	<u>413,094</u>
	1,932,055	1,918,063
Less accumulated depreciation and amortization	<u>(1,042,088)</u>	<u>(984,666)</u>
Land, buildings and equipment, net	<u>\$ 889,967</u>	<u>\$ 933,397</u>

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2009 and 2008**

**NOTE 5 – LINE OF CREDIT**

The Chapter has a line of credit with a financial institution. Borrowings under this agreement bear interest at the bank's index rate plus 0.5%, not to fall below 4%, and require monthly payments of interest only. As of June 30, 2009 and 2008, the Chapter had no borrowings on this line of credit. The amount available under the agreement is \$1,000,000. The note is secured by accounts receivable and matures on February 8, 2010.

**NOTE 6 – NOTES PAYABLE**

Notes payable consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Notes payable, equipment, payable to bank. The note provided for interest at 8.41% and required monthly principal and interest payments of \$219 with a maturity date of January 2009. The note was collateralized by vehicles.	\$ <u>-</u>	\$ <u>1,245</u>

**NOTE 7 – NET ASSETS**

Unrestricted net assets are comprised of the following at June 30:

	<u>2009</u>	<u>2008</u>
Undesignated net surplus	\$ 657,064	\$ 497,228
Investment in land, building and equipment	889,967	933,397
Designated for quasi-endowment	<u>325,838</u>	<u>321,618</u>
	<u>\$ 1,872,869</u>	<u>\$ 1,752,243</u>

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

	<u>2009</u>	<u>2008</u>
Disaster services	\$ 91,560	\$ 64,037
Health and safety services	3,850	-
Time restrictions	481,350	683,601
Other	<u>138,000</u>	<u>87,138</u>
	<u>\$ 714,760</u>	<u>\$ 834,776</u>

**NASHVILLE AREA CHAPTER OF THE AMERICAN RED CROSS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2009 and 2008**

**NOTE 10 – EMPLOYEE BENEFIT PLANS**

Beginning August 1, 2005, the Chapter elected to participate in a defined contribution retirement plan sponsored by the American Red Cross for the benefit of all permanent employees, under which they are allowed to make contributions on a pre-tax basis. Employee contributions may be matched based on certain other provisions of the plan, not to exceed a total Chapter contribution of 4% of eligible compensation. Effective May 1, 2009 the employer match has been suspended. Total contributions to the plan by the Chapter amounted to \$17,287 and \$22,759 in 2009 and 2008, respectively.

**NOTE 11 – NATIONAL CHAPTER ASSESSMENT**

The Board of Governors of the American Red Cross established \$83.5 million as the net financial requirements for all services provided by the American Red Cross national sector (“NHQ”) on behalf of all chapters for the year ended June 30, 2009. The Chapter’s portion of the assessment for the fiscal year ending June 30, 2009 and 2008 was established at \$235,558 and \$292,424, respectively.

**NOTE 12 – CONCENTRATIONS**

The Chapter maintains cash in excess of federally insured limits. Amounts in excess of federally insured limits totaled \$617,740 at June 30, 2009.