

BARNABAS CENTER, INC.
(A Not-for-Profit Organization)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

BARNABAS CENTER, INC.
(A Not-for-Profit Organization)

YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
BARNABAS CENTER, INC.

We have audited the accompanying statement of financial position of Barnabas Center, Inc. (a not-for-profit organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year 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 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 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 Barnabas Center, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program expenses on page 13 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 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.

The Hurst Company, CPAs, P.C.

Amelia Island, Florida

October 10, 2011

Members

American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

BARNABAS CENTER, INC.
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STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

CURRENT ASSETS	
Cash and cash equivalents	\$ 665,538
Miscellaneous receivables	2,000
Prepaid expenses	12,081
Inventories	151,965
	<u>831,584</u>
PROPERTY AND EQUIPMENT, net (note 3)	<u>496,470</u>
TOTAL ASSETS	<u>\$ 1,328,054</u>
CURRENT LIABILITIES	
Accounts payable	\$ 838
Accrued expenses	5,293
	<u>6,131</u>
NET ASSETS	
Unrestricted	1,288,164
Temporarily restricted (note 4)	33,759
Permanently restricted (note 4)	-
	<u>1,321,923</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,328,054</u>

BARNABAS CENTER, INC.
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STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
Contributions	\$ 1,125,446	\$ 103,600	\$ -	\$ 1,229,046
Grants	2,250	323,178	-	325,428
Thrift store sales	698,675	-	-	698,675
Dental services	-	380,129	-	380,129
Medical services	-	585,464	-	585,464
Interest income	8,878	-	-	8,878
Miscellaneous	1,171	-	-	1,171
Net assets released from restrictions				
Dental services incurred	380,129	(380,129)	-	-
Medical services incurred	585,464	(585,464)	-	-
Satisfaction of grant restrictions	423,051	(423,051)	-	-
 TOTAL REVENUES AND SUPPORT	 3,225,064	 3,727	 -	 3,228,791
 Expenses and losses				
Program services	3,035,716	-	-	3,035,716
Supporting services				
Administration	107,920	-	-	107,920
Fundraising	42,173	-	-	42,173
 TOTAL EXPENSES AND LOSSES	 3,185,809	 -	 -	 3,185,809
 CHANGE IN NET ASSETS	 39,255	 3,727	 -	 42,982
 NET ASSETS AT BEGINNING OF YEAR	 1,248,909	 30,032	 -	 1,278,941
 NET ASSETS AT END OF YEAR	 \$ 1,288,164	 \$ 33,759	 \$ -	 \$ 1,321,923

See independent auditors' report and notes to financial statements.

BARNABAS CENTER, INC.
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

Account Description	Program	Administration	Fundraising	Total
Advertising	\$ 1,602	\$ 72	\$ 31	\$ 1,705
Contract labor	141,998	648	373	143,019
Depreciation	28,849	3,514	-	32,363
Dues and subscriptions	3,543	210	1,582	5,335
Insurance	90,970	4,566	1,238	96,774
Loss on disposal of assets	2,035	1,715	-	3,750
Office expenses	61,466	10,559	2,569	74,594
Payroll	449,555	67,651	29,533	546,739
Payroll taxes	33,243	5,003	2,184	40,430
Postage	1,461	1,072	1,108	3,641
Printing and reproduction	1,521	1,028	2,180	4,729
Professional fees	26,429	2,564	1,019	30,012
Rent	32,813	-	-	32,813
Repairs and maintenance	17,905	3,701	-	21,606
Security	3,433	450	-	3,883
Taxes and licenses	832	184	356	1,372
Telephone	8,492	2,213	-	10,705
Utilities	31,174	2,770	-	33,944
Client assistance - cash	335,328	-	-	335,328
Client assistance - non-cash (note 6)	1,763,067	-	-	1,763,067
	<u>\$ 3,035,716</u>	<u>\$ 107,920</u>	<u>\$ 42,173</u>	<u>\$ 3,185,809</u>

BARNABAS CENTER, INC.
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STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 42,982
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation	32,363
Loss on disposal of assets	3,750
Increase in miscellaneous receivables	(2,000)
Increase in prepaid expenses	(2,191)
Increase in inventories	(721)
Increase in accounts payable	838
Increase in accrued expenses	1,368
Net cash provided by operating activities	<u>76,389</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(6,311)</u>
Net cash used in investing activities	<u>(6,311)</u>
CHANGE IN CASH	70,078
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>595,460</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 665,538</u>

BARNABAS CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

1. **PURPOSE OF THE ORGANIZATION**

Barnabas Center, Inc. (the "Organization") is a not-for-profit 501(c)(3) organization established in 1986 to afford residents of Nassau County, Florida aid during crisis situations that arise due to unforeseen circumstances. The aid is temporary, and it is expected that the assistance will allow individuals and families to continue to be self-supporting or to provide interim help while they are waiting for referral support from other agencies. All recipients of the Organization's programming must live in Nassau County and provide documentation of income eligibility.

The Organization began with a "crisis center" in Fernandina Beach, which provides food, rent and utility assistance, and assistance with other special needs such as propane, vision examinations/glasses, prescription and work-related expenses. In October 1993, a satellite office opened in Hilliard, which provides nearly identical services. Since the Hilliard office does not house its own food pantry, it provides vouchers for use at the Fernandina Beach location. A resale store, aptly named "New to You," was opened in 1991, and, in 1996, a free-standing store was built in Fernandina Beach. Eligible clients may obtain vouchers for clothing, furniture and other household goods at no charge. In October 2005, the Samaritan Medical Clinic opened, which provides free urgent medical care for uninsured adults. In May 2007, a low cost dental clinic began operations for low income adults. Both medical and dental clinics are housed at a shared site in Fernandina Beach.

The Organization is primarily supported by proceeds from the New to You resale store, local churches, individual contributors, foundations, corporate donors, grants and fundraising events. The Organization's financial performance has been awarded a 4-star rating from Charity Navigator, a premier independent charity evaluator.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are presented in accordance with FASB Accounting Standards Codification 958 ("ASC 958"), *Not-For-Profit Entities*. ASC 958 requires contributions received to be recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions and requires the Organization to report information regarding its financial position and activities according to these same three classes.

BARNABAS CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Classification of Net Assets

The net assets of the Organization are reported in classes as follows:

- a. Unrestricted net assets are resources over which the Board has discretionary control, including those unrestricted net assets invested in property and equipment at the direction of the Board.
- b. Temporarily restricted net assets are from (1) contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (2) other asset enhancements and diminishments subject to the same kind of stipulations, and (3) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by the passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.
- c. Permanently restricted net assets are from (1) contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (2) other asset enhancements and diminishments subject to the same kind of stipulations, and (3) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations.

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, cash and cash equivalents include all highly liquid investments with original maturities of twelve months or less.

BARNABAS CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Inventories

Inventories consist of donated food, clothing, furniture and miscellaneous household goods and are recorded at the lower of estimated fair market value as of the date of donation or at estimated fair market value as of the financial statement date.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Assets are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from three to thirty-one and a half years as follows:

	<u>Years</u>
Furniture and fixtures	7
Building and building improvements	15 - 31.5
Office and store equipment	3 - 7
Transportation equipment	5

Maintenance and repairs are charged to expense as incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in administration expenses.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Contributions

The Organization 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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

BARNABAS CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Donated Services

A substantial number of volunteers have donated significant amounts of time to the Organization's program services (over 11,900 recorded hours for the year ended June 30, 2011). Only those amounts pertaining to the need assessment of clients have been reflected in the financial statements since the contribution of those services required specialized skills (note 6). The remaining volunteer hours are not reflected in the statements since the contribution of services did not create or enhance non-financial assets or require specialized skills. Additionally, when professional services (i.e. legal, dental and medical) were provided, in-kind values were recorded as contributions.

Functional Allocation of Expenses

The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities benefited.

Subsequent Events

Management has evaluated subsequent events through October 10, 2011, the date the financial statements were available to be issued.

3. **PROPERTY AND EQUIPMENT**

The components of property and equipment as of June 30, 2011 are as follows:

Land	\$	72,140
Building and building improvements		590,518
Furniture and fixtures		6,165
Office and store equipment		15,968
Dental and medical equipment		65,189
		<u>749,980</u>
Less: accumulated depreciation		<u>(253,510)</u>
	\$	<u>496,470</u>

Depreciation expense for the year ended June 30, 2011 was \$32,363.

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NOTES TO FINANCIAL STATEMENTS

4. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

The Organization receives grants and other donations that are restricted by grant stipulations and donor requests, respectively. Until such time that the funds are used, they are recorded as temporarily restricted net assets. Temporarily restricted net assets were available for the following purposes as of June 30, 2011:

Bikes for Barnabas	\$	460
Chaplain's Fund		260
Food Pantry		4,109
Prescriptions		2,138
Samaritan Clinic		26,792
		\$ 33,759

There were no permanently restricted net assets as of June 30, 2011.

5. ENDOWMENT FUND

The Organization and the Community Foundation ("CF") entered into an agreement for the Organization to have an endowment fund. According to the terms of the agreement, the Organization is not entitled to any of the principal of the fund. The fund remains an asset of the CF; however, the Organization is entitled to receive the investment earnings less a maintenance fee charged by the CF. The balance of the fund at June 30, 2011 was \$16,291, \$493 of which was available for the Organization's use.

6. DONATED MATERIALS, PROPERTY AND SERVICES

The estimated fair market value of donated materials and services included in the financial statements for the year ended June 30, 2011 is as follows:

Support:		<u>\$1,766,667</u>
Expenses:		
Client assistance		
Clothing, furniture, etc.	\$	716,640
Medical services		585,464
Dental services		258,598
Food		140,965
Counseling and needs assessment		61,400
		1,763,067
Professional fees		3,600
		\$ 1,766,667

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NOTES TO FINANCIAL STATEMENTS

7. **RIGHT OF SETOFF TRANSACTION**

In December 2010, the Organization entered into a transaction with a bank (“Bank”) designed to provide the Organization with partial funding for its dental operations, and to enable the Bank to meet a portion of its obligations under the Community Reinvestment Act. Pursuant to the transaction, the Organization borrowed \$300,000 from the Bank (“Loan”) at a fixed annual interest rate of 2%, and then simultaneously used the proceeds of the Loan to invest in a certificate of deposit (“CD”) issued by the Bank in the amount of \$300,000, at a fixed annual interest rate of 3.96%. The Loan and the CD mature on the same date in December 2011, at which time the proceeds of the CD will be used to repay the Loan. Additionally, the Organization and the Bank have also contractually agreed that, at any time during the term of the Loan, either party may terminate the agreement, at which time the CD would be used to repay the Loan.

This transaction meets the criteria for “right of setoff” accounting under FASB Accounting Standards Codification 210-20, *Balance Sheet Offsetting*, inasmuch as (a) the contractual amounts are determinable, (b) the Organization has the right of setoff, (c) the right of setoff is enforceable by law, and (d) the Organization has the intention to setoff. Accordingly, the Loan has been setoff against the CD, and neither the Loan nor the CD are shown in the accompanying Statement of Financial Position. As monthly interest payments become due on the Loan, the Bank offsets the interest payment against amounts owed by the Bank on the CD and remits to the Organization the “net” amount of interest. During the year ended June 30, 2011, the Organization recorded \$3,398 in interest income relative to this transaction.

The amount of the CD exceeds the amount of insurance available from the Federal Deposit Insurance Corporation (“FDIC”); however, the rules of the FDIC provide that borrowers may setoff the amount of outstanding loans against deposits at the financial institution prior to borrowers availing themselves of FDIC protection. Accordingly, the Organization does not have exposure to a lack of FDIC insurance coverage as a result of this transaction.

8. **CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances at several financial institutions, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

SUPPLEMENTAL INFORMATION

BARNABAS CENTER, INC.
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SCHEDULE OF PROGRAM EXPENSES

Account Description	Crisis Center	Food Pantry	New to You	Dental Clinic	Medical Clinic	Total
Advertising	\$ 159	\$ -	\$ 1,299	\$ 94	\$ 50	\$ 1,602
Contract labor	1,385	-	64,200	74,001	2,412	141,998
Depreciation	3,514	-	16,356	8,220	759	28,849
Dues and subscriptions	848	-	1,012	456	1,227	3,543
Insurance	20,937	-	43,318	19,577	7,138	90,970
Loss on disposal of assets	1,715	-	-	320	-	2,035
Office expenses	14,147	-	31,405	8,175	7,739	61,466
Payroll	102,763	-	210,789	88,790	47,213	449,555
Payroll taxes	7,599	-	15,587	6,566	3,491	33,243
Postage	870	-	353	162	76	1,461
Printing and reproduction	156	-	1,261	45	59	1,521
Professional fees	9,436	-	9,199	5,824	1,970	26,429
Rent	561	-	8,860	11,696	11,696	32,813
Repairs and maintenance	3,122	-	10,322	2,323	2,138	17,905
Security	567	-	2,450	208	208	3,433
Taxes and licenses	130	-	99	127	476	832
Telephone	3,516	-	2,784	1,094	1,098	8,492
Utilities	2,896	-	22,990	2,644	2,644	31,174
Client assistance - cash	292,004	641	-	40,210	2,473	335,328
Client assistance - non-cash (note 6)	61,400	140,965	716,640	258,598	585,464	1,763,067
	<u>\$ 527,725</u>	<u>\$ 141,606</u>	<u>\$ 1,158,924</u>	<u>\$ 529,130</u>	<u>\$ 678,331</u>	<u>\$ 3,035,716</u>