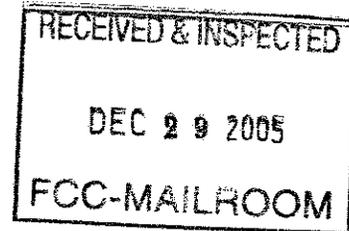


CGB-EC-0118

Mount Carmel Ministries
P. O. Box 929
Hattiesburg, Mississippi 39403
601-583-4943



Office of the Secretary
Federal Communications Commission
Attention: CGB Room 3-B431
445 12th Street SW
Washington, DC 20554

Petition for Exemption from Closed Captioning Requirements

The Mt. Carmel Baptist Church has a rich history in the city of Hattiesburg, Mississippi. Founded in 1886, its rudimentary goal was to proclaim the gospel of Jesus Christ to its local members and community as it partnered in foreign missions with the National Baptist Association to evangelize abroad. Over the course of years, it has flourished through the leadership of several pastors, each of whom has expanded the mission of the church to include the changes prompted by the times and needs of the community. Today, under the leadership of Sr. Pastor, Kenneth E. Fairley, its tri-fold mission is to reach the world in the spirit of excellence by winning believers to Jesus Christ, by equipping believers to excel in every area of life, and by empowering churches, communities, cities, businesses, and families to prosper.

In the mid 1980's, the demographics of the church changed, after having begun Bible study on the campus of the University of Southern Mississippi. The response was phenomenal, with a significant number of college students seeking to be rooted in the local church in addition to its current members. Then located on Mobile Street, the smaller church was unable to accommodate all the people who desired to participate in the services, in addition to those sick or aging members incapacitated in their homes. In

an effort to expand the ministry and reach those who were being turned away at the door, in 1988, Mt. Carmel Ministries launched *Leaning on the Everlasting Arms*, airing its eleven o'clock Sunday services on WDAM at 10:00 a.m. Sunday mornings.

Many people scoffed at the suggestion of televising the services. After having struggled to broadcast the worship services by radio, the idea of expanding to television broadcasting was posed. However, without equipment, professional production, and mostly, revenue, the task seemed unthinkable. WDAM television offered the opportunity to reach the local viewing area and the homes of those who supported and prayed for the ministry as it aired on the radio. Although cable television was an option, it would not extend into all the homes that we desired to reach. With a viewing area of over 100,000 homes in a 50 mile radius, we agreed to walk by faith and broadcast one-hour segments of the eleven o'clock Sunday services. Relying solely on tithes, donations and voluntary services from its members, Mt. Carmel taped, edited and aired each Sunday service by delayed broadcasting, and trained phone counselors to receive the weekly calls on the prayer lines.

For the reasons set forth below, the Mt. Carmel Baptist Church hereby requests an undue burden exemption from the closed captioning rules for *Leaning on the Everlasting Arms*, pursuant to §79.1(f) of the Commission's rules.

Nature and Cost of Closed Captions

Based upon information from price index for closed captions services, the average cost is \$8-10 per video minute plus \$50, for an additional cost of \$450-650 per week. Requiring a script with each tape, an additional position would have to be filled in the television ministry to enable the company to meet these regulation requirements.

Contracting with our local carrier, WDAM, Closed Captioning Services will offer live captions for \$150.00 per hour. A third option is to do our own captioning on site with an OC system that costs about \$3,000 for the software and encoder. However, this system only provides three-line roll up captions and would also require additional personnel to work 3-8 hours per week on the captions alone, which at the time, is limited in our ministry. This starting system is upgradeable to a high end closed captioning system, but paying for air time is now compromised because of the added expense to our ministry. Please refer to attached price quotes.

Within the past few months, Mt. Carmel Ministries added more text to its programs by placing titles of sermons within the program along with scriptures created by a character generator, however, the board has rejected an increase in the television budget because of the reconstruction after hurricane Katrina.

Impact on the Operation of the Program Provider

Mt. Carmel Ministries has aired *Leaning on the Everlasting Arms* for nearly fifteen years to a community of viewers who depend on its weekly broadcast as a spiritual lifeline. The television ministry currently employs one member/editor for \$368.00 per week. Each hourly episode costs \$600 per week to air on WDAM television. Television camera operators and lighting and sound technicians are all church volunteers. The annual cost for the television ministry of *Leaning on the Everlasting Arms* is \$50,336. If captioning would cost \$400 per week, this would increase the annual budget by \$20,800, nearly fifty percent of its current allocations and adversely affect the church's ability to pay both the production and air time. Closed captioning constitutes a significant broadcast expense that would place an undue burden on Mt. Carmel Baptist

Church, which in turn would affect its ability to maintain constant delivery of its weekly program or reduce the budget to minister to our own local membership.

Financial Resources of the Program Provider

As the ministry grew, so did the breadth and scope of other ministries to accommodate the needs of the diverse segments of the community that worshipped at the church. In addition to the television ministry, other ministries were birthed, including a school, elderly housing, golden age center, Leadership Institute, youth ministry, and most recently as a distribution site to the victims of hurricane Katrina.

Type of Operations of the Program Provider

The church does non-profit religious organization that aims to continue ministering to the needs of the human and spiritual condition of mankind. After the church relocated to Main Street in 1998, the budget increased due to the size of the facility and the hefty operational expenses incurred with a full-time operative ministry that employs five full time administrative staff members. Its school is a 501(C) 3 tax-exempt organization that operates Monday thru Friday, and includes after school activities and tutorial programs. The school employs approximately thirty employees and serves more than three hundred children. Please refer to the attached ministry documentation.

Other Factors

Hurricane Katrina devastated the Gulf Coastal states, and has displaced a vast amount of people whose lives must somehow be restructured. This annihilation also affected Mt. Carmel, with many of its tithers and regular contributors now displaced to other communities and states. To increase the operational budget in any area would pose

a significant strain on the church that would threaten its ability to continue to minister as it has done in the past fifteen years. Mt. Carmel Baptist Church as petitioner, believes that the local, non-news exemption to the closed captioning rules also applies to *Leaning on the Everlasting Arms*. As noted above, the program is produced and distributed locally, and the sermons of Mt. Carmel Baptist Church are of primarily local public interest. The episodes are not news, they do not have repeat value, and the electronic newsroom technique is not available or feasible for this ministry. Notwithstanding the applicability of the exemption, we have filed this petition in with great caution and for the purpose of establishing certainty.

Conclusion

As shown by this Petition and its attachments, the Commission should grant a waiver of the closed caption requirements in this case, because requiring closed captioning would create an undue burden. The costs of captioning would be excessively high and would have a significant impact on Petitioner's operations. The Petitioner's type of operations and financial resources are different in kind and magnitude from a mainstream programming provider. Because of the significant difficulty and expense of providing closed captions, a waiver under §79.1(f) is warranted. If more information is needed, please contact me at the address provided below.

Respectfully submitted,

Mt. Carmel Baptist Church

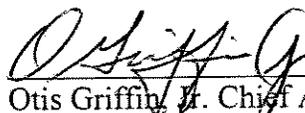
By:



Otis Griffin, Jr.
Chief Administrative Officer
1101 N. Main Street
Hattiesburg, MS 39401
(601)544-4943

Dated: 21 Dec 05

I, Otis Griffin, Jr. am Chief Administrator of the Mt. Carmel Baptist Church, and I have reviewed the Petition for Exemption for Closed Captioning Requirements filed on behalf of Mt. Carmel Baptist Church in his matter, and, upon information and belief, believe the statements regarding our organization and *Leaning on the Everlasting Arms* to be true and accurate.



Otis Griffin, Jr. Chief Administrator

21 Dec 05
Date

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
C - 1130
ATLANTA, GA 30301

DEPARTMENT OF THE TREASURY

Date: NOV 02 1990

Employer Identification Number:
[REDACTED]

Contact Person:
THEEDA MURPHY

Contact Telephone Number:
(404) 331-0169

MT CARMEL MISSIONARY BAPTIST
CHURCH HATTIESBURG MISSISSIPPI
621 MOBILE STREET
HATTIESBURG, MS 39401

Accounting Period Ending:

June 30

Form 990 Required:

No

Addendum Applies:

Yes

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in sections 509(a)(1) and 170(b)(1)(A)(i).

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. In the case of an amendment to your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, you should inform us of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more you pay to each of your employees during a calendar year. This does not apply, however, if you make or have made a timely election under section 3121(w) of the Code to be exempt from such tax. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other Federal excise taxes. If you have any questions about excise, employment, or other Federal taxes, please let us know.

Grantors and contributors may rely on this determination unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your section 509(a)(1) status, a grantor or contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act, or the substantial or material change on the part of the organization that resulted in your loss of such status, or if he or

Letter 947 (DO/CG)

MT CARMEL MISSIONARY BAPTIST

she acquired knowledge that the Internal Revenue Service had given notice that you would no longer be classified as a section 509(a)(1) organization.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of Code sections 2055, 2106, and 2522.

Contribution deductions are allowable to donors only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not necessarily qualify as deductible contributions, depending on the circumstances. See Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, which sets forth guidelines regarding the deductibility, as charitable contributions, of payments made by taxpayers for admission to or other participation in fundraising activities for charity.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt From Income Tax. If Yes is indicated, you are required to file Form 990 only if your gross receipts each year are normally more than \$25,000. However, if you receive a Form 990 package in the mail, please file the return even if you do not exceed the gross receipts test. If you are not required to file, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally \$25,000 or less, and sign the return.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of \$10 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed \$5,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

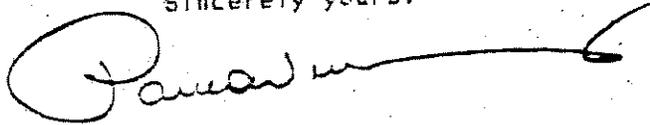
If we have indicated in the heading of this letter that an addendum applies, the enclosed addendum is an integral part of this letter.

MT CARMEL MISSIONARY BAPTIST

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Paul Williams", with a long horizontal flourish extending to the right.

Paul Williams
District Director

Enclosure(s):
Addendum

MT CARMEL MISSIONARY BAPTIST

If your organization conducts fund-raising events such as benefit dinners, auctions, membership drives, etc., where something of value is received in return for contributions, you can help your donors avoid difficulties with their income tax returns by assisting them in determining the proper tax treatment of their contributions. To do this you should, in advance of the event, determine the fair market value of the benefit received and state it in your fund-raising materials such as solicitations, tickets, and receipts in such a way that your donors can determine how much is deductible and how much is not. To assist you in this, the Service has issued Publication 1391, Deductibility of Payments Made to Organizations Conducting Fund-Raising Events. You may obtain copies of Publication 1391 from your local IRS Office. Guidelines for deductible amounts are also set forth in Revenue Ruling 67-246, 1967-2 C.B. 104 and Revenue Procedure 90-12, I.R.B. 1990-8, page 20.

This determination letter does not cover the operation of a day care and preschool.

MT. CARMEL BAPTIST CHURCH OF HATTIESBURG
NOTES TO THE FINANCIAL STATEMENTS

Income Taxes

The Church is a nonprofit organization as recognized by the State of Mississippi, and accordingly, is in the process of applying for exemption from federal income tax under Internal Revenue Code Section 501 (c) 3.

Contribution

The church accounts for contributions in accordance with FASB No. 116, Accounting for Contributions received and Contributions made. Contributions are recognized as revenue in the period received. The Church does not receive promises or pledges from its members, including unconditional promises to give. Accordingly, contribution receivable is not recorded. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. If any unconditional promises to give are received, contributions to be received after one year are discounted at an appropriate discount rate commensurate with risks involved. Amortizations of discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivables is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fund raising activity.

Numerous members provided approximately 3,030 for the year ended December 22, 2004 of volunteer services to the Church in the various departments of the church. The services do not meet the criteria for recognition as a contribution under FASB No. 116, and are not reflected in the accompanying financial statements.

MT. CARMEL BAPTIST CHURCH OF HATTIESBURG
NOTES TO THE FINANCIAL STATEMENTS

Property, Plant,
& Equipment 8,763,428

Accumulated
Depreciation (1,831,660)
\$ 6,931,768

NOTE E - LONG-TERM DEBT

6.500% Mortgage payable to bank; dated
December 15, 2003; 300 monthly installments
of \$ 27,008 with final installment of
principal and interest on January 1, 2029;
Original amount of \$ 4,000,000; secured
by perfected first lien mortgage and
security interest, in fee simple
title, on real estate located in
Hattiesburg, Ms \$ 3,991,761

Various interest rate, payable to
Bank; various monthly installments.
Secured by real estate located in
Hattiesburg, Ms 211,750

9.00% Notes to the bank 37,250

7.00% Mortgage payable - houses
various maturity dates; total
monthly installment of \$ 1,565 80,157

7.750% Chattel mortgages - vehicles 7,120

Total Long-Term Debt: \$ 4,328,038

~~The aggregate amount of maturities for long-term debt at December
22, 2004 for the repayment requirement for the next five years:~~

2005	\$ 344,096
2006	\$ 344,096
2007	\$ 344,096
2008	\$ 344,096
2009	\$ 344,096

MT. CARMEL BAPTIST CHURCH OF HATTIESBURG
NOTES TO THE FINANCIAL STATEMENTS

Note F - Changes in Accounting Principles

The church has adopted the Financial Accounting Standards Board (FASB) Statement No. 116 and 117, Accounting for Contributions and Financial Statements of Not-for-Profit Organizations. These statements require reporting revenue and net assets by class as permanently restricted, temporarily restricted, and unrestricted. Because FASB No. 117 focuses upon temporarily restricted and unrestricted. Because FASB No. 117 focuses upon the organization as a whole its total assets, liabilities, net assets, revenue and expenses, an adjustment has been made to adjust the net assets for combining the plant and general funds, amounting to \$ (618,800) for the year ended December 22, 2004.

Note G - Fund Raising

The church incurred fund raising expenses of \$ 1,501 for the period ended December 22, 2004.

Note H - Advertising

The church incurred advertising expenses of \$ 698 for the period end December 22, 2004.

Note I - Internal Control Structure

The church has a medium condition over internal control for small organization in term of financial operations and limited personnel in the accounting and administrative departments.

From: [Redacted]
Sent: Thursday, December 15, 2005 10:47 AM
To: [Redacted]
Subject: Closed Captioning

My apologies for not attaching a letter. I am on the road and will not be back at my office computer until tomorrow. Let me know if you need this information on letterhead.

Closed Captioning Services, Inc. (CCS) would be pleased to provide realtime (live) captioning of your programming for a price of \$ 150.00 per hour. We will break the price into 1/2 hour increments (\$ 75.00 per 1/2 hour). CCS will be responsible for all long distance telephone charges.

CCS writers will dial in to the station 10 minutes before each scheduled broadcast. WDAM-TV will provide two local dial-up phone lines. One line will be for the program audio. The other line will be connected to the closed captioning encoder at the station.

Please contact [Redacted] 248-364- [Redacted] to schedule captioning for the programs.

We would be pleased to provide this service. Please contact me with any questions.

[Redacted]
Closed Captioning Services, Inc.
616-940- [Redacted]
[Redacted]

CLOSED CAPTION MAKER

(Formally of Portsmouth, NH)

822 Guilford Avenue #148 • Baltimore, MD 21202
E-mail: wGallant@CCmaker.com • Web Site: www.CCmaker.com
1-800-527-0551

You produce the video,
we add the closed-captions ...

FCC Requires 100% captioning starting
1/1/06.

We sell an entry level line-21 closed-captioning
system.
See details below, system is called ADDrollupCC.

Not going to make the Jan 1st deadline for adding closed- captioning?

We'll do it for you, half-hour program is \$200 (includes transcribing, tape, shipping)
We can do it for this low price because we are using ADDrollupCC and it doesn't take very
long to do it.
Here's the math: It will cost us \$30 to get it typed, it will take two hours of production time to
put the script and video together using ADDrollupCC, and \$15 for Fedex to get it back to
you.

* Captioning at \$10/minute

Turnaround will be about three days.

SERVICES

Professional closed-captioning services.

Cost is \$10 per video minute plus \$50; includes encoding, videotape, and 2nd day FedEx.

Client will be sent an open-captioned VHS proof copy at no charge.

Client sends us a professionally produced "master video" on BetaSP, DV/DVcam, or DVCpro25 and we create a closed-captioned professional master on BetaSP or DVcam.

Example: A ten minute video using 'pop-on captions' would cost \$150.

Add \$2/minute if verbatim script is not supplied.

Subtract \$4/minute if roll-up captions are used instead of pop-on captions.

TV Spots are \$100 per spot (:10 to :60); plus \$50 for tapestock and shipping. Script must be supplied on disk or emailed. Turnaround is two business days.

Music Videos (up to 5 minutes) are \$175, includes BetaSP/DVcam videotape and shipping.

Script must be supplied on disk. Additional BetaSP/DVcam copy is \$35 (includes tape).

TECHNICAL DETAILS FOR PROFESSIONAL CAPTIONING

We normally use "Pop-on" type closed-captions; the captions "pop-on" the screen in groups of words and are positioned so that they do not cover-up material being discussed.

Our encoder (hardware which adds the captions) uses component video in/out.

DV formats: we can accept DV, DVcam, DVCpro25 and master to DVcam. (all are small or large cassettes).

Please call concerning details.

New Lower Price: As noted above, "roll-up captions" are \$4/minute less; reason is that "roll-up captions" require less production time. For an example of

MT: CARMEL BAPTIST CHURCH
OF HATTIESBURG

Compiled Financial Statements
December 22, 2004

C&O

MT. CARMEL BAPTIST CHURCH OF HATTIESEBURG
(A Mississippi not-for-profit corporation)

Compiled Financial Statements

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-Statement of Cash Flows	4
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-Notes to the Financial Statements	6-12

MT. CARMEL BAPTIST CHURCH OF HATTIESBURG
 STATEMENT OF FINANCIAL POSITION
 December 22, 2004

ASSETS	\$ 125,710
Cash and cash equivalents	5,175
Mortgage receivable	3,815
Prepaid insurance	<u>6,931,768</u>
Land, buildings and equipment, net	<u>\$ 7,066,468</u>
TOTAL ASSETS	
LIABILITIES AND NET ASSETS	\$4,328,038
Mortgage payable	<u>81,157</u>
Accounts payable and accrued liabilities	4,409,195
TOTAL LIABILITIES	
	<u>2,657,273</u>
NET ASSETS	
	<u>\$7,066,468</u>
TOTAL LIABILITIES AND NET ASSETS	

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

MI. CARMEL BAPTIST CHURCH OF HATTIESBURG
 STATEMENT OF ACTIVITIES
 For the Year Ended December 22, 2004

CHANGES IN UNRESTRICTED NET ASSETS

Revenues:

	\$1,639,533
Offerings from members	648,531
School and daycare income	189,704
Grants and contracts	27,593
Conferences	31,273
Rental income	768
Interest income	7,172
Miscellaneous income	<u>2,543,574</u>
Total unrestricted revenue	

Expenses:

Program services:
 Church ministries

Salaries, contract services, and benefits
 Supplies and expenses
 Ministries and missions

245,017
 165,787
 209,764
620,576

School and daycare
 Salaries and benefits
 Supplies and operation expenses

425,734
185,709
611,443

Supporting services
 Management and General

802,576

Total Expenses

2,034,597

505,977

Change in Unrestricted Net Assets

3,131,006

Net assets, beginning of year:

As previously unreported adjustment to reconcile net assets
 changes in accounting principle

(982,710)

Net assets, end of year

\$ 2,657,273

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

MT. CARMEL BAPTIST CHURCH OF HATTIESBURG
STATEMENT OF CASH FLOWS
For the Year Ended December 22, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	\$508,977
Change in net assets:	
Adjustments to reconcile change in net assets to net cash provided by operating activities:	365,820
Depreciation	38,695
(Increase) Prepaids and other expenses	13,575
Decrease in mortgage receivable	<u>(36,205)</u>
Increase (Decrease) in Accounts payable	<u>890,862</u>
Net Cash Provided by Operating Activities	
 Cash Flows From Investing Activities:	 <u>364,939</u>
Property, plant, equipment	<u>364,939</u>
Net Cash Provided (Used) for Investing Activities	
 Cash Flows From Financing Activities:	 175,794
Other miscellaneous payments to banks	<u>324,095</u>
Mortgage payments	<u>499,889</u>
Net Cash Used By Financing Activities	
 Net Increase (Decrease) in cash and cash equivalents	 26,034
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>99,676</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$125,710</u>

Interest expense paid \$ 311,746

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

2/22/2004 14:22 9013585475

MT. CARMEL BAPTIST CHURCH OF HATTIESBURG
 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended December 22, 2004

PROGRAM/ SUPPORT SERVICES:

	<u>Total</u>	<u>Supporting Services</u>
	\$ 1,501	\$1,501
Advertisement	2,510	
Maintenance	21,153	
Auto/Van/Bus expense	17,101	
Auto/Van repairs	7,526	
Construction	11,750	
Contract labor	7,519	
Curriculum	8,711	
Absentees	85,725	
Scholarships	58,501	
Administration - Ministry	358	
Bad debts	3,518	
Due and subscriptions	11,901	
Employee benefit program	570	
Employee training and education	5,078	
Finance/charges	25,950	25,950
Insurance	1,107	
Licenses and permits	34,701	
Television ministry	28,270	
Office supplies	590,500	
Payroll expenses	38,759	25,500
Professional fees	5,879	
Equipment	28,701	
Refunds	30,400	
Rent and leases	35,117	
Repairs & maintenance	3,819	
Ministries supplies	5,788	5,788
Property taxes	48,750	
Donations and Benevolence	1,150	
Flowers, Fruit Baskets	58,352	
Food purchases	799	
Miscellaneous	9,511	
Travel	135,744	135,744
Utilities	9,108	9,108
Miscellaneous	311,746	311,746
Interest	8,115	8,115
Bank fees	3,088	3,088
Bank service charges	365,820	278,036
Depreciation		
Total	\$ 2,034,597	\$802,576

Total

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

MT. CARMEL BAPTIST CHURCH OF HATTIESBURG
NOTES TO THE FINANCIAL STATEMENTS

Allocation of expenses

Costs that can be identified with a specific program or activity are allocated directly to the program or activity as direct cost.

Costs that are incurred for common or joint objectives and cannot be readily identified with a particular program or activity are considered administrative costs.

Note C - Cash in Bank

Checking	\$ 79,775
Savings	<u>45,935</u>
TOTAL	\$ <u>125,710</u>

NOTE D -LAND, BUILDINGS, AND EQUIPMENT

Land, building, and equipment consist of the following at December 22, 2004; the current depreciation expense as of December 22, 2004 is \$ 365,820.

Land	\$ 36,578
Land improvements	30,422
Main Building and houses	7,789,449
Main Building improvements	364,939
Vehicles	291,385
Equipment	58,298
Furniture & Fixtures	<u>192,357</u>

MT. CARMEL BAPTIST CHURCH OF HATTIESBURG
NOTES TO THE FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES

The MT. CARMEL BAPTIST CHURCH OF HATTIESBURG (Church) was organized in 1864 and incorporated in the State of Mississippi in February 2000. The church is a not-for-profit organization in the state of Mississippi and is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within Jackson, Mississippi, and the surrounding communities. The church is supported primarily through contributions from the congregation.

The church also operates a private school and daycare facility, for members of the church and surrounding community. This activity is supported mainly from tuition charges, daycare charges, and grants from governmental agencies for food and tuition assistance.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies are as follows:

Basis of Presentation

The church follows the requirements of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 117, Financial Statements of Not-For-Profit Organizations. Under FASB Statement No. 117, the church 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.

- ◆ 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 can be fulfilled by actions of the Church pursuant to those stipulations or that expire by the passage of time.

Presently the church has unrestricted net assets and does not have temporarily or permanent restricted net assets.

MT. CARMEL BAPTIST CHURCH OF HATTIESBURG
NOTES TO THE FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, except that such investments purchased with endowment assets or deposits with trustees are classified as long-term investments.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated primarily at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (5 to 40 years). Expenditures for new construction, major renewals and replacements, and equipment costing over \$2,500 are capitalized.

Fair Value of Financial Instruments

The church did not hold financial instruments for trading purposes at December 22, 2004.

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of those financial instruments. The carrying amounts (which are fair value) of long-term investments are based upon values provided by an external investment manager or quoted market values. In the limited cases where such values are not available, historical cost is used as an estimate of market value.

The carrying amount of mortgage payable approximates fair value because those financial instruments bear interest at variable rates that approximate current market rates for notes with similar maturities and credit quality.

MT. CARMEL BAPTIST CHURCH OF HATTIESBURG
NOTES TO THE FINANCIAL STATEMENTS

The College's financial instruments at December 22, 2004
summarized as follows:

	December 22, 2004	
	Carrying Amount	Fair Value
Financial assets:		
Cash and Cash equivalents	\$ 125,710	\$ 125,710
Financial liabilities:		
Mortgage payable	\$4,328,038	\$4,328,038