

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2006 AND 2005

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2006 AND 2005

CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u> .....	1
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position.....	2
Statements of Activities .....	3
Statements of Cash Flows .....	4
Statements of Functional Expenses .....	5
Notes to Financial Statements.....	6 - 12
 <u>ADDITIONAL INFORMATION</u>	
Combining Statement of Financial Position.....	13
Combining Statement of Activities.....	14



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Boys and Girls Clubs of Middle Tennessee, Inc.  
Nashville, Tennessee

We have audited the accompanying statements of financial position of the Boys and Girls Clubs of Middle Tennessee, Inc. (the "Agency"), a Tennessee not-for-profit corporation, as of June 30, 2006 and 2005, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Agency'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 the Boys and Girls Clubs of Middle Tennessee, Inc. as of June 30, 2006 and 2005, 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.

Our audits were conducted for the purpose of forming an opinion on the above-mentioned financial statements taken as a whole. The accompanying additional information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*KraftCPAs PLLC*

Nashville, Tennessee  
October 16, 2006

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 131,389	\$ 168,030
Grant and contract receivables	41,552	55,112
Contributions receivable - Note 2	326,758	421,726
Prepaid expenses	18,759	10,673
Investments - Note 3	530,683	893,152
Property and equipment - net - Notes 4 and 5	1,967,216	2,056,234
Other assets	<u>14,646</u>	<u>13,176</u>
 TOTAL ASSETS	 <u>\$ 3,031,003</u>	 <u>\$ 3,618,103</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 66,836	\$ 109,822
Accrued expenses	27,070	23,355
Notes payable - Note 5	<u>267,992</u>	<u>238,800</u>
 TOTAL LIABILITIES	 <u>361,898</u>	 <u>371,977</u>
 COMMITMENTS - Notes 5 and 10		
NET ASSETS		
Unrestricted:		
Undesignated	64,131	377,664
Designated for property and equipment	<u>1,967,216</u>	<u>2,056,234</u>
 Total unrestricted	 2,031,347	 2,433,898
Temporarily restricted - Note 6	279,555	454,025
Permanently restricted	<u>358,203</u>	<u>358,203</u>
 TOTAL NET ASSETS	 <u>2,669,105</u>	 <u>3,246,126</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,031,003</u>	 <u>\$ 3,618,103</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006			
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTALS</u>
SUPPORT AND REVENUE				
Public Support:				
Individual gifts and contributions	\$ 811,410	\$ 23,071	\$ -	\$ 834,481
Government grants and contracts	700,411	-	-	700,411
United Way grants, allocations and designations	9,151	229,474	-	238,625
Special events	559,359	-	-	559,359
Program service fees	193,693	-	-	193,693
Membership dues	15,023	-	-	15,023
Sales to members and public	3,057	-	-	3,057
Donated rent	25,200	-	-	25,200
Investment income (loss) - net	(8,387)	-	-	(8,387)
Other	14,542	-	-	14,542
Net assets released resulting from satisfaction of donor restrictions	<u>427,015</u>	<u>(427,015)</u>	<u>-</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>2,750,474</u>	 <u>(174,470)</u>	 <u>-</u>	 <u>2,576,004</u>
 EXPENSES				
Program Services:				
Comprehensive Youth Development	2,259,101	-	-	2,259,101
Supporting Services:				
Management and general	423,394	-	-	423,394
Fundraising	<u>470,530</u>	<u>-</u>	<u>-</u>	<u>470,530</u>
 TOTAL EXPENSES	 <u>3,153,025</u>	 <u>-</u>	 <u>-</u>	 <u>3,153,025</u>
 CHANGE IN NET ASSETS	 (402,551)	 (174,470)	 -	 (577,021)
 NET ASSETS - BEGINNING OF YEAR	 <u>2,433,898</u>	 <u>454,025</u>	 <u>358,203</u>	 <u>3,246,126</u>
 NET ASSETS - END OF YEAR	 <u>\$ 2,031,347</u>	 <u>\$ 279,555</u>	 <u>\$ 358,203</u>	 <u>\$ 2,669,105</u>

See accompanying notes to financial statements.

2005

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTALS</u>
\$ 1,017,069	\$ 251,575	\$ -	\$ 1,268,644
739,522	-	-	739,522
12,752	201,024	-	213,776
499,865	-	-	499,865
148,475	-	-	148,475
17,827	-	-	17,827
2,400	-	-	2,400
26,700	-	-	26,700
14,470	-	-	14,470
22,683	-	-	22,683
<u>435,420</u>	<u>(435,420)</u>	<u>-</u>	<u>-</u>
<u>2,937,183</u>	<u>17,179</u>	<u>-</u>	<u>2,954,362</u>
1,890,202	-	-	1,890,202
439,129	-	-	439,129
<u>389,316</u>	<u>-</u>	<u>-</u>	<u>389,316</u>
<u>2,718,647</u>	<u>-</u>	<u>-</u>	<u>2,718,647</u>
218,536	17,179	-	235,715
<u>2,215,362</u>	<u>436,846</u>	<u>358,203</u>	<u>3,010,411</u>
<u>\$ 2,433,898</u>	<u>\$ 454,025</u>	<u>\$ 358,203</u>	<u>\$ 3,246,126</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (577,021)	\$ 235,715
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	158,859	177,040
Realized and unrealized (gains) losses on investments	28,750	21,300
(Increase) decrease in:		
Grant and contract receivables	13,560	24,368
Contributions receivable	94,968	1,694
Prepaid expenses	(8,086)	(554)
Other assets	(1,470)	(954)
Increase (decrease) in:		
Accounts payable	(42,986)	(187,224)
Accrued expenses	3,715	(41,530)
NET ADJUSTMENTS	<u>247,310</u>	<u>(5,860)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(329,711)</u>	<u>229,855</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(69,841)	(75,871)
Proceeds on sale of investments	1,297,258	181,836
Purchase of investments	<u>(963,539)</u>	<u>(189,767)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>263,878</u>	<u>(83,802)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	47,000	-
Payments on notes payable	<u>(17,808)</u>	<u>(5,412)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>29,192</u>	<u>(5,412)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(36,641)	140,641
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>168,030</u>	<u>27,389</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 131,389</u>	<u>\$ 168,030</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of line of credit to long-term obligation	<u>\$ -</u>	<u>\$ 244,212</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006			
	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		
	<u>COMPREHENSIVE YOUTH</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 1,097,699	\$ 234,432	\$ 141,957	\$ 1,474,088
Employee taxes and fringe benefits	<u>232,543</u>	<u>35,746</u>	<u>19,386</u>	<u>287,675</u>
 TOTAL PAYROLL AND RELATED EXPENSES	 1,330,242	 270,178	 161,343	 1,761,763
 Awards and grants	 81,132	 1,581	 3,208	 85,921
Bad debt expense	-	31,439	-	31,439
Capital campaign expense	-	-	44,752	44,752
Collaborative fees paid to the Preston Taylor YMCA Club	51,286	-	-	51,286
Conferences and meetings	4,239	3,328	2,410	9,977
Equipment purchases	4,830	262	205	5,297
Equipment rental and maintenance	17,666	808	2,209	20,683
Food program expense	125,953	-	-	125,953
Insurance	58,260	6,580	2,665	67,505
Interest expense	-	29,787	-	29,787
Licenses and permits	485	60	325	870
Maintenance supplies	26,449	77	65	26,591
Marketing	-	-	1,152	1,152
Membership dues	22,937	9,017	6,435	38,389
Miscellaneous	4,013	675	142	4,830
National dues	-	10,578	-	10,578
Pass-through grant expense	2,198	1,240	-	3,438
Postage	847	712	24,130	25,689
Printing and publications	1,887	430	2,217	4,534
Professional fees	7,689	21,799	43	29,531
Rent - donated	25,200	-	-	25,200
Repairs and maintenance	38,985	918	918	40,821
Special events	571	-	180,795	181,366
Supplies expense	50,130	1,956	6,883	58,969
Telephone	42,474	2,920	3,392	48,786
Travel and mileage	21,362	4,308	2,974	28,644
Utilities and occupancy costs	159,444	19,216	18,742	197,402
Vehicle repairs and maintenance	<u>33,013</u>	<u>-</u>	<u>-</u>	<u>33,013</u>
 TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	 2,111,292	 417,869	 465,005	 2,994,166
 Depreciation on furniture and equipment	 <u>147,809</u>	 <u>5,525</u>	 <u>5,525</u>	 <u>158,859</u>
 TOTAL FUNCTIONAL EXPENSES	 <u>\$ 2,259,101</u>	 <u>\$ 423,394</u>	 <u>\$ 470,530</u>	 <u>\$ 3,153,025</u>

See accompanying notes to financial statements.

2005

PROGRAM SERVICES		SUPPORTING SERVICES		
COMPREHENSIVE YOUTH		MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
\$ 933,336	\$ 246,981	\$ 120,923	\$ 1,301,240	
153,298	67,530	29,798	250,626	
1,086,634	314,511	150,721	1,551,866	
59,389	1,518	211	61,118	
-	14,390	-	14,390	
-	-	-	-	
33,975	-	-	33,975	
3,884	4,180	4,441	12,505	
2,704	347	767	3,818	
10,993	424	776	12,193	
154,721	-	-	154,721	
50,867	6,493	2,935	60,295	
-	15,371	-	15,371	
1,046	80	300	1,426	
14,926	134	67	15,127	
-	-	13,390	13,390	
940	1,365	1,503	3,808	
6,788	5,068	384	12,240	
-	10,305	-	10,305	
-	-	-	-	
732	1,185	3,055	4,972	
1,789	243	3,467	5,499	
1,146	38,654	-	39,800	
26,700	-	-	26,700	
26,079	900	898	27,877	
-	-	183,175	183,175	
56,463	8,749	6,369	71,581	
33,352	3,404	4,187	40,943	
28,398	3,310	4,147	35,855	
105,401	2,290	2,275	109,966	
18,651	-	40	18,691	
1,725,578	432,921	383,108	2,541,607	
164,624	6,208	6,208	177,040	
\$ 1,890,202	\$ 439,129	\$ 389,316	\$ 2,718,647	

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Boys and Girls Clubs of Middle Tennessee, Inc. (the "Agency") is a Boys & Girls Clubs of America affiliated organization providing services to at-risk children in the Middle Tennessee area. The Agency consists of seven Club facilities, one school site in partnership with the YMCA of Middle Tennessee, and one extension program. The goal of the Agency is to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible and caring citizens. Founded in 1903, the Agency strives to improve each child's life by enhancing self-esteem and courage, and instilling positive values through educational programs.

Contributions and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is met in the same period in which the contribution is received, the support is reported as unrestricted.

Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue. Grant receivables are primarily grant money from the State Department of Human Services.

The Agency reports any gifts of equipment or materials as unrestricted support absent any explicit donor restrictions as to how the assets must be used. Gifts of long-lived assets, and/or support that is restricted to the acquisition of long-lived assets, are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Cash equivalents

Cash equivalents include demand deposits with banks and time deposits with original maturities when purchased of three months or less.

Property and equipment

Property and equipment are stated at acquisition cost, or at estimated fair value at date of gift, if donated. Depreciation is computed on the straight-line method over estimated useful lives of five to ten years for furniture, equipment, vehicles and building improvements, and forty years for buildings.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends.

Investments

Investments consist of money market accounts and fixed income and equity securities and are carried at the quoted fair market value of the securities on the last business day of the reporting period. Changes in unrealized gains and losses are recognized in the statement of activities for the year.

Program and supporting services

The following functional expense allocations are included in the accompanying financial statements:

Program services - include programs and services to promote and enhance the development of boys and girls. Some of the Agency's programs include:

- Character Leadership and Development - empowers youth to support and influence their Club and community, sustain meaningful relationships with others, develop a positive self-image, participate in the democratic process and respect their own and others' cultural identity.
- Education and Career Development - enables youth to become proficient in basic educational disciplines, apply learning to everyday situations and embrace technology to achieve success in a career.
- Health and Life Skills - develops young people's capacity to engage in positive behaviors that nurture their own well-being, set personal goals and live successfully as self-sufficient adults.
- The Arts - enables youth to develop their creativity and cultural awareness through knowledge and appreciation of the visual arts, crafts, performing arts and creative writing.
- Sports, Fitness, and Recreation - develops fitness, positive use of leisure time, skills for stress management, appreciation for the environment and social skills.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting services

Management and general - includes the functions necessary to ensure an adequate working environment, Board operations, and community planning and networking activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Income taxes

The Agency qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Compensated absences

Compensated absences are accrued for vacation days earned by employees in a calendar year that will be paid in the future. Current policy generally does not allow the carryover of unused vacation days.

Donated services and use of facilities

The Agency's policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor at the estimated fair value of the services received. The fair rental value of the donated use of facilities for four of the centers is included in revenues and expenses in the amount of \$25,200 for the year ended June 30, 2006 (\$26,700 in 2005.)

Use of estimates in the preparation of financial statements

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior year amounts in order to be comparative with the current year presentation.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30:

	<u>2006</u>	<u>2005</u>
Contributions receivable	\$ 332,758	\$ 427,726
Less allowance for uncollectible contributions	<u>(6,000)</u>	<u>(6,000)</u>
	<u>\$ 326,758</u>	<u>\$ 421,726</u>

Contributions receivable are expected to be collected within one year.

NOTE 3 - INVESTMENTS

Investments consisted of the following at June 30:

	<u>2006</u>		<u>2005</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 22,884	\$ 22,884	\$ 10,724	\$ 10,724
Mortgage backed securities	18,024	18,610	6,942	6,690
Equity securities	335,052	276,475	495,234	408,175
U.S. Government obligations	95,733	98,935	380,252	361,278
Corporate bonds	<u>58,990</u>	<u>61,232</u>	<u>-</u>	<u>-</u>
	<u>\$ 530,683</u>	<u>\$ 478,136</u>	<u>\$ 893,152</u>	<u>\$ 786,867</u>

Investment income consisted of the following for the years ended June 30:

	<u>2006</u>	<u>2005</u>
Interest and dividend income	\$ 29,742	\$ 28,795
Realized gains (losses) - net	(13,022)	1,870
Unrealized gains (losses) - net	(15,728)	(23,170)
Investment fees	(10,171)	(9,998)
Gain (loss) on donated securities	<u>792</u>	<u>16,973</u>
Investment income (loss) - net	<u>\$ (8,387)</u>	<u>\$ 14,470</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2006</u>	<u>2005</u>
Land	\$ 26,530	\$ 26,530
Buildings and improvements	2,634,910	2,634,910
Vehicles	249,000	202,000
Pool	102,176	102,176
Furniture and equipment	<u>609,742</u>	<u>586,971</u>
	3,622,358	3,552,587
Less accumulated depreciation	<u>(1,655,142)</u>	<u>(1,496,353)</u>
Net property and equipment	<u>\$ 1,967,216</u>	<u>\$ 2,056,234</u>

The Agency had fully depreciated assets with an original cost of approximately \$985,000 as of June 30, 2006 (\$395,000 in 2005).

NOTE 5 - DEBT

At June 30, 2006, the Agency owed \$222,000 on a \$250,000 installment note. The note requires monthly principal payments of \$1,400 through October 1, 2007, with all accrued interest and remaining unpaid principal due November 1, 2007. Interest on the loan is charged at the Bank's prime rate. The note is secured by a deed of trust on the Agency's building.

On June 30, 2006, the Agency's Franklin Club owed \$45,992 on a \$47,000 note payable. The note requires monthly interest payments, with the remaining principal and interest due March 31, 2007. Interest on the loan is charged at 7.25%. The note is secured by a vehicle.

On July 22, 2005, the Agency's bank line of credit was increased from \$150,000 to \$500,000. Interest on the outstanding borrowings under the line is charged at the Bank's prime rate and is payable monthly. The line of credit matures March 1, 2007. There was no balance outstanding under this line of credit at June 30, 2006.

Future maturities of long-term debt are as follows as of June 30, 2006:

Year Ending June 30,

2007	\$ 62,792
2008	<u>205,200</u>
	<u>\$ 267,992</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2006</u>	<u>2005</u>
Scholarship - Youth of the Year	\$ 8,807	\$ 7,096
United Way of Middle Tennessee:		
Designations	54,873	27,859
Outcome-based income funding grants:		
Youth Development	26,180	27,531
Project Learn	68,421	67,634
United Way of Williamson County	80,000	78,000
Contributions receivable for Nashville clubs	-	213,064
Restricted contributions for various programs	<u>41,274</u>	<u>32,841</u>
	<u>\$ 279,555</u>	<u>\$ 454,025</u>

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash and cash equivalents, various federal grants, accounts and United Way receivables. Contributions receivable consist of individual and corporate contribution pledges which are widely dispersed to mitigate credit risk. Grant and United Way receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources.

From time to time throughout the year, the Agency's bank balances with financial institutions exceeded the FDIC-insured limits. Management considers this to be a normal business risk.

The Agency maintains its money market funds and securities at one financial institution. Balances are insured to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation (SIPC). Uninsured amounts approximated \$31,000 at June 30, 2006.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 8 - RELATED PARTY TRANSACTIONS

One of the Agency's board members is a senior officer with a financial institution which is the Agency's principal bank and lender.

NOTE 9 - EMPLOYEE BENEFIT PLAN

Substantially all of the Agency's employees are covered by a defined contribution pension plan known as the Boys & Girls Clubs of America Pension Trust. This plan is qualified under the regulations of the Internal Revenue Service. The amount of pension expense for the year is funded by the Agency in quarterly contributions to the plan.

The plan provides for contributions equal to ten percent of eligible employees' annual compensation as of July 1, which is the anniversary date. Employees become eligible to participate on the plan anniversary date if they are at least 20 ½ years of age and have worked at least 1,000 hours in the immediately preceding twelve months. Employee benefits are fully vested after six years of service as a plan participant.

Total pension expense for the year ended June 30, 2006 was \$51,054 (\$66,270 in 2005).

NOTE 10 - LEASES

On May 18, 2005, the Agency relocated its administrative offices and entered into (1) a sublease agreement for the remaining lease term under an existing lease, expiring April 30, 2007, and (2) a new lease agreement, effective May 1, 2007, which runs through April 30, 2010.

A schedule of future minimum lease payments required under all noncancelable operating leases as of June 30, 2006, follows:

Year Ending June 30,

2007	\$ 49,664
2008	42,155
2009	43,179
2010	<u>36,693</u>
	<u>\$ 171,691</u>

ADDITIONAL INFORMATION

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2006

	<u>NASHVILLE CLUBS</u>	<u>FRANKLIN CLUB</u>	<u>COMBINING ENTRIES</u>	<u>COMBINED</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 12,306	\$ 119,083	\$ -	\$ 131,389
Grant and contract receivables	41,552	-	-	41,552
Contributions receivable	229,255	97,503	-	326,758
Prepaid expenses	18,759	-	-	18,759
Investments	530,683	-	-	530,683
Property and equipment - net	1,852,902	114,314	-	1,967,216
Due from Franklin Club	237,380	-	(237,380)	-
Other assets	14,646	-	-	14,646
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 2,937,483</u>	<u>\$ 330,900</u>	<u>\$ (237,380)</u>	<u>\$ 3,031,003</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 66,836	\$ -	\$ -	\$ 66,836
Accrued expenses	27,070	-	-	27,070
Due to Nashville Clubs	-	227,380	(227,380)	-
Notes payable	222,000	45,992	-	267,992
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>315,906</u>	<u>273,372</u>	<u>(227,380)</u>	<u>361,898</u>
 <u>NET ASSETS</u>				
Unrestricted:				
Undesignated	218,420	(154,289)	-	64,131
Designated for property and equipment	1,852,902	114,314	-	1,967,216
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total unrestricted (deficit)	2,071,322	(39,975)	-	2,031,347
Temporarily restricted	182,052	97,503	-	279,555
Permanently restricted	358,203	-	-	358,203
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL NET ASSETS	<u>2,611,577</u>	<u>57,528</u>	<u>-</u>	<u>2,669,105</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,927,483</u>	<u>\$ 330,900</u>	<u>\$ (227,380)</u>	<u>\$ 3,031,003</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

	<u>NASHVILLE CLUBS</u>	<u>FRANKLIN CLUB</u>	<u>COMBINED</u>
SUPPORT AND REVENUE			
Public Support:			
Individual gifts and contributions	\$ 795,853	\$ 38,628	\$ 834,481
Government grants and contracts	606,469	93,942	700,411
United Way grants, allocations and designations	154,245	84,380	238,625
Special events	383,544	175,815	559,359
Program service fees	163,257	30,436	193,693
Membership dues	11,773	3,250	15,023
Sales to members and public	3,057	-	3,057
Donated rent	25,200	-	25,200
Investment income (loss) - net	(8,387)	-	(8,387)
Other	7,187	7,355	14,542
	<u>2,142,198</u>	<u>433,806</u>	<u>2,576,004</u>
TOTAL SUPPORT AND REVENUE			
EXPENSES			
Program Services:			
Comprehensive Youth Development	1,902,152	267,213	2,169,365
Supporting Services:			
Management and general	423,394	13,750	437,144
Fundraising	470,530	75,986	546,516
	<u>2,796,076</u>	<u>356,949</u>	<u>3,153,025</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	(653,878)	76,857	(577,021)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>3,265,455</u>	<u>(19,329)</u>	<u>3,246,126</u>
NET ASSETS - END OF YEAR	<u>\$ 2,611,577</u>	<u>\$ 57,528</u>	<u>\$ 2,669,105</u>