COMMUNITY RESOURCE CENTER

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Resource Center:

We have audited the accompanying statements of financial position of Community Resource Center (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of management of Community Resource Center. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 Community Resource Center 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 U.S. generally accepted accounting principles.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
December 20, 2006

COMMUNITY RESOURCE CENTER

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 45,535	$ 53,987
Certificates of deposit	75,756	75,000
Promises to give, net	13,775	18,000
Inventories	406,380	514,220
Prepaid expenses	1,417	1,617
Total current assets	542,863	662,824
PROPERTY AND EQUIPMENT, NET	710,291	734,286
DEPOSITS	200	200
TOTAL ASSETS	$ 1,253,354	$ 1,397,310
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 15,681	$ 7,271
Accrued salaries and wages	5,633	3,827
Accrued and withheld payroll taxes	2,952	3,049
Total liabilities	24,266	14,147
COMMITMENTS	-	-
NET ASSETS:		
Unrestricted	1,177,813	1,323,663
Temporarily restricted	51,275	59,500
Total net assets	1,229,088	1,383,163
TOTAL LIABILITIES AND NET ASSETS	$ 1,253,354	$ 1,397,310

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

COMMUNITY RESOURCE CENTER

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES:			
Contributions and grants	$ 55,356	$ 88,775	$ 144,131
Noncash contributions	1,748,439	-	1,748,439
Program service fees	68,425	-	68,425
Special events	74,408	-	74,408
Rental income	12,760	-	12,760
Interest and miscellaneous income	861	-	861
Total	1,960,249	88,775	2,049,024
Net assets released from restrictions	97,000	(97,000)	-
Total support and revenues	2,057,249	(8,225)	2,049,024
EXPENSES:			
Program services	2,093,330	-	2,093,330
Supporting services:			
Management and general	75,208	-	75,208
Fundraising	34,561	-	34,561
Total expenses	2,203,099	-	2,203,099
CHANGE IN NET ASSETS	(145,850)	(8,225)	(154,075)
NET ASSETS:			
Beginning of year	1,323,663	59,500	1,383,163
End of year	$ 1,177,813	$ 51,275	$ 1,229,088

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

COMMUNITY RESOURCE CENTER

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES:			
Contributions and grants	$ 59,863	$ 101,000	$ 160,863
Noncash contributions	1,252,544	-	1,252,544
Program service fees	64,771	-	64,771
Special events	92,295	-	92,295
Rental income	11,886	-	11,886
Interest and miscellaneous income	244	-	244
Total	1,481,603	101,000	1,582,603
Net assets released from restrictions	152,580	(152,580)	-
Total support and revenues	1,634,183	(51,580)	1,582,603
EXPENSES:			
Program services	1,508,323	-	1,508,323
Supporting services:			
Management and general	69,893	-	69,893
Fundraising	35,593	-	35,593
Total expenses	1,613,809	-	1,613,809
CHANGE IN NET ASSETS	20,374	(51,580)	(31,206)
NET ASSETS:			
Beginning of year	1,303,289	111,080	1,414,369
End of year	$ 1,323,663	$ 59,500	$ 1,383,163

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

COMMUNITY RESOURCE CENTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 67,553	$ 46,667	$ 11,537	$ 125,757
Payroll taxes	5,139	3,550	878	9,567
Employee benefits	9,229	11,565	2,332	23,126
Total personnel expenses	81,921	61,782	14,747	158,450
Distributions to partners	1,856,279	-	-	1,856,279
Outside services	20,255	2,250	-	22,505
Utilities	13,752	1,528	-	15,280
Insurance	8,379	1,351	124	9,854
Fundraising - special events	-	-	19,690	19,690
Equipment repairs and maintenance	3,246	361	-	3,607
Printing and publications	8,172	908	-	9,080
Telephone and internet	3,501	389	-	3,890
Program costs	38,066	-	-	38,066
Supplies	4,639	516	-	5,155
Postage and shipping	1,604	178	-	1,782
Memberships	1,463	162	-	1,625
Taxes and licenses	495	55	-	550
Travel	4,943	549	-	5,492
Advertising and public relations	2,909	323	-	3,232
Building repairs and maintenance	1,991	221	-	2,212
Miscellaneous	3,181	354	-	3,535
Total expenses before depreciation and amortization	2,054,796	70,927	34,561	2,160,284
Depreciation and amortization	38,534	4,281	-	42,815
Total expenses	$ 2,093,330	$ 75,208	$ 34,561	$ 2,203,099

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

COMMUNITY RESOURCE CENTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 72,173	$ 44,015	$ 10,835	$ 127,023
Payroll taxes	5,531	3,373	831	9,735
Employee benefits	9,322	10,700	2,192	22,214
Total personnel expenses	87,026	58,088	13,858	158,972
Distributions to partners	1,262,501	-	-	1,262,501
Outside services	10,002	1,111	-	11,113
Utilities	11,472	1,275	-	12,747
Insurance	6,629	904	51	7,584
Fundraising - special events	-	-	21,684	21,684
Equipment repairs and maintenance	2,901	322	-	3,223
Printing and publications	10,358	1,151	-	11,509
Telephone and internet	2,982	331	-	3,313
Program costs	54,043	-	-	54,043
Supplies	5,001	556	-	5,557
Postage and shipping	1,880	209	-	2,089
Memberships	779	86	-	865
Taxes and licenses	760	84	-	844
Travel	3,866	429	-	4,295
Advertising and public relations	2,027	225	-	2,252
Building repairs and maintenance	1,609	179	-	1,788
Miscellaneous	4,624	514	-	5,138
Total expenses before depreciation and amortization	1,468,460	65,464	35,593	1,569,517
Depreciation and amortization	39,863	4,429	-	44,292
Total expenses	$ 1,508,323	$ 69,893	$ 35,593	$ 1,613,809

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (154,075)	$ (31,206)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	42,815	44,292
Noncash contributions	(1,748,439)	(1,252,544)
Noncash distributions to partners	1,856,279	1,262,501
Loss on disposal of assets	-	392
Net changes in other assets and liabilities:		
Promises to give	4,225	56,300
Inventories	-	(12,296)
Prepaid expenses	200	(114)
Accounts payable	8,410	4,543
Accrued salaries and wages	1,806	1,271
Accrued and withheld payroll taxes	(97)	364
Net cash provided by operating activities	11,124	73,503
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment in certificates of deposit	(756)	(75,000)
Purchases of property and equipment	(18,820)	(16,728)
Net cash used in investing activities	(19,576)	(91,728)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(8,452)	(18,225)
CASH AND CASH EQUIVALENTS:		
Beginning of year	53,987	72,212
End of year	$ 45,535	$ 53,987

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

NOTE 1 – THE ENTITY

Community Resource Center (the "Center") was incorporated in October 1986 as a Tennessee not-for-profit corporation. The primary purpose of the Center is to encourage, accept and distribute donations of volunteer services, equipment, supplies and new and used materials that are needed by local charitable organizations in the Middle Tennessee area.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2006 and 2005 in these financial statements refer to the years ended June 30, 2006 and 2005, respectively, unless otherwise noted.

Basis of Accounting

The financial statements of the Center are maintained on the accrual basis of accounting.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Conditional promises to give are not included as support until conditions are substantially met. When collected prior to satisfaction of donor conditions, such amounts are reported as refundable advances.

The Center uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Bad debt expense is recorded as a reduction of contribution revenues. At June 30, 2006 and 2005, all promises receivable were considered to fully collectible, and therefore, no allowance for uncollectible promises was deemed necessary.

See Note 3 for further details.

Donated Materials and Services

Donated equipment, supplies and materials are recognized as noncash contributions at their estimated fair values at date of receipt. The value of donated services meeting the requirements for recognition in the financial statements was not material and has not been recorded. A substantial number of volunteers have donated significant amounts of time in the Center's programs, development and fund-raising activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in various bank accounts, and all highly liquid unrestricted investments with an original maturity of three months or less. The Center may, at times, maintain bank accounts whose balances exceed federally insured limits. However, the Center has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Inventories

Inventories, which consist primarily of donated equipment, supplies and materials, are recorded at their estimated fair values at the time of donation or cost, if purchased.

Property and Equipment

Property and equipment additions, major renewals and betterments are recorded at cost at the date of purchase, at fair value at the date of gift if the value is readily determinable, or other reasonable basis, as determined by management, if cost is unknown. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed by using the straight-line and accelerated methods over the estimated useful lives of the assets. See Note 4 for further details.

Income Taxes

As mentioned in Note 1, the Center is a tax-exempt organization; accordingly, no provision for income taxes is included in the accompanying financial statements.

Functional Allocation of Expenses

Expenses, which are directly related to a function, are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function.

Estimates

The preparation of financial statements in conformity with U.S. 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.

NOTE 3 – PROMISES TO GIVE

Promises to give at June 30, 2006 and 2005 consisted entirely of donations that are expected to be collected during the following fiscal year. All of the promises are temporarily restricted. See Note 6 for further details.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2006 and 2005:

	2006	2005
Land and improvements	$ 99,790	$ 99,790
Building and improvements	675,495	666,030
Furnishings, fixtures and equipment	144,447	143,667
Vehicles	10,000	6,000
Website development costs	12,625	8,050
Total cost	942,357	923,537
Less accumulated depreciation	(232,066)	(189,251)
Property and equipment, net	$710,291	$734,286

NOTE 5 – NOTES PAYABLE

The Center entered into an unsecured line of credit agreement with a financial institution. The line of credit provides for maximum borrowings of $50,000, and bears interest payable monthly at the bank's prime rate of interest. The line of credit agreement matured on October 12, 2007. No borrowings were outstanding under this agreement at June 30, 2006.

NOTE 6 – NET ASSETS

Temporarily restricted net assets at June 30, 2006 and 2005 consisted of the following:

	2006	2005
Cash:		
Next fiscal year's operations	$37,500	$ 41,500
Promises to give:		
Next fiscal year's operations	13,775	18,000
Total temporarily restricted net assets	$51,275	$59,500

Net assets released from restrictions consisted of the following for 2006 and 2005:

	2006	2005
Current fiscal year's operations	$97,000	$134,800
Technology	-	11,780
Material for the arts	-	5,000
Computer connection	-	1,000
Net assets released from restrictions	$97,000	$152,580

There were no permanent restrictions on net assets at June 30, 2006 and 2005.

NOTE 7 – PUBLIC SUPPORT

The Center is dependent on public support in the form of cash donations, private grants and United Way grants. A major reduction in the level of public support, if this were to occur, could have a significant impact on the Center's operations.

NOTE 8 – PARTNERSHIP PROGRAM

The Center has established a partnership program with other local non-profit organizations whereby the Center receives partnership membership fees ranging from $100 to $250 annually from subscribing organizations. Subscribing partners are then allowed access to goods and services available through a resource bulletin, "The Resource Connection," and the use of the Center's equipment and vehicle. Partnership membership fees received during 2006 and 2005 totaled $28,500 and $29,675, respectively, and are included in Program Service Fees in the statement of activities.

Distributions to partners consist of inventories donated to the Center and items purchased by the Center. During 2006 and 2005, the Center distributed $1,856,279 and $1,262,501, respectively, to its subscribing partners.

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Center has a defined contribution retirement plan for employees who have reached age 21 and have been employed for two years. The Center matches 100% of participant contributions up to 6% of the participant's salary each quarter. The Center's expense for matching contributions totaled $5,355 and $5,421 for 2006 and 2005, respectively.