STARS NASHVILLE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

STARS NASHVILLE

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Independent Auditors' Report

To the Board of Directors
STARS Nashville
Nashville, Tennessee

We have audited the accompanying statement of financial position of STARS Nashville (the Organization), a non-profit organization, as of June 30, 2009, and the related statements of activities and changes in net assets, 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 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 STARS Nashville as of June 30, 2009, and the changes in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Puryear, Hamilton, Hausman & Wood, PLC

James E. Hamilton : Jeffrey J. Hausman : Ronald T. Wood : Jami A. Pope

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STARS NASHVILLE

Statement of Financial Position

June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 97,673	$ 125,996	$ -	$ 223,669
Investments	540,904	38,860	-	579,764
Accounts receivable	782,220	7,000	-	789,220
Unconditional promises to give	212,854	705,246	-	918,100
Grants receivable	77,774	-	-	77,774
Prepaid expenses	9,869	-	-	9,869
Total current assets	1,721,294	877,102	-	2,598,396
Land	335,000	-	-	335,000
Property and equipment, net of accumulated depreciation of $150,412	194,343	-	-	194,343
Building, net of accumulated depreciation of $44,433	3,086,332	-	-	3,086,332
Other assets, net of accumulated amortization of $21,000	189,000	-	-	189,000
Investments	-	-	167,150	167,150
Total assets	$5,525,969	$ 877,102	$ 167,150	$6,570,221
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	$ 487,716	$ -	$ -	$ 487,716
Accrued wages and benefits	155,160	-	-	155,160
Unearned revenue	12,563	-	-	12,563
Current portion of capitalized lease	10,445	-	-	10,445
Total current liabilities	665,884	-	-	665,884
Long-term portion of capitalized lease	6,185	-	-	6,185
Bonds payable	1,600,000	-	-	1,600,000
Total liabilities	2,272,069	-	-	2,272,069
Net assets	3,253,900	877,102	167,150	4,298,152
Total liabilities and net assets	$5,525,969	$ 877,102	$ 167,150	$6,570,221

See independent auditors' report and accompanying notes to financial statements.

STARS NASHVILLE

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2009

Unrestricted net assets:	
Support and revenue:	
School contract fees	$1,279,752
Contributions	455,284
Grants	364,771
Special events	157,020
Program service fees and funding	95,289
Interest and dividends	30,452
Gain (loss) on disposal of asset	(1,640)
Net unrealized and realized gains (losses) on investments	(62,851)
Miscellaneous	17,305
Total unrestricted support and revenue	2,335,382
Net assets released from restrictions and reclassification:	
Expiration of time restrictions	776,140
Satisfaction of program restrictions	2,645,855
Reclassification	(63,498)
Total net assets released from restrictions and reclassification	3,358,497
Total unrestricted support, revenue, and other support	5,693,879
Expenses:	
Program services	2,718,135
Fundraising	305,917
Management and general	480,316
Total expenses	3,504,368
Increase (decrease) in unrestricted net assets	2,189,511
Temporarily restricted net assets:	
United Way Services	594,625
Contributions	153,965
Building contributions	1,164,517
Interest and dividends	4,810
Net unrealized and realized gains (losses) on investments	(29,448)
Reclassification	63,498
Net assets released from restrictions	(3,421,995)
Increase (decrease) in temporarily restricted net assets	(1,470,028)
Increase (decrease) in net assets	719,483
Net assets at beginning of year	3,578,669
Net assets at end of year	$4,298,152

See independent auditors' report and accompanying notes to financial statements.

STARS NASHVILLE

Statement of Functional Expenses

For the Year Ended June 30, 2009

	Program Services	Fundraising	Management and General	Total
Personnel expense	$ 2,293,385	$ 171,238	$ 315,920	$ 2,780,543
Professional fees	110,327	7,838	36,564	154,729
Supplies	40,528	3,313	1,845	45,686
Telephone	12,571	1,332	6,536	20,439
Postage	504	2,652	1,288	4,444
Occupancy	73,481	8,330	30,889	112,700
Printing and publications	7,224	26,205	879	34,308
Travel, meetings, and conferences	54,317	7,215	5,024	66,556
Insurance	3,373	171	12,645	16,189
Membership dues and awards	612	198	2,920	3,730
Interest expense	53,001	3,559	17,729	74,289
Special events	-	43,172	-	43,172
National dues	-	-	5,000	5,000
Investment fees	-	-	7,952	7,952
Miscellaneous expense	6,338	1,711	6,125	14,174
Total expense before depreciation and amortization	2,655,661	276,934	451,316	3,383,911
Depreciation of property and equipment and amortization of other assets	62,474	28,983	29,000	120,457
Total expense	$ 2,718,135	$ 305,917	$ 480,316	$ 3,504,368
Percent of total expense	77%	9%	14%	100%

See independent auditors' report and accompanying notes to financial statements.

STARS NASHVILLE

Statement of Cash Flows

For the Year Ended June 30, 2009

Operating activities:	
Increase (decrease) in net assets	$ 719,483
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:	
Depreciation	99,457
Amortization	21,000
(Gain) loss on disposal of property and equipment	1,640
Net unrealized (gains) losses on investments	68,731
Net realized losses on investments	23,568
Changes in operating assets and liabilities:	
(Increase) decrease in unconditional promises to give - Unrestricted	(197,513)
(Increase) decrease in unconditional promises to give - Restricted	278,891
(Increase) decrease in accounts receivable	(770,224)
(Increase) decrease in grants receivable	393,589
(Increase) decrease in prepaid expenses	8,840
Increase (decrease) in accounts payable	366,089
Increase (decrease) in accrued wages and benefits	(7,378)
Increase (decrease) in grants payable	(9,916)
Increase (decrease) in unearned revenue	(958)
Net cash provided by (used for) operating activities	995,299
Investing activities:	
Purchase of property and equipment	(181,070)
Purchase of building and land	(985,924)
Purchase of other asset	(210,000)
(Purchases) sales of investments, net	(49,627)
Net cash provided by (used for) investing activities	(1,426,621)
Financing activities:	
Repayment of capitalized lease	(8,318)
Payments on bonds	(1,400,000)
Net cash provided by (used for) financing activities	(1,408,318)
Increase (decrease) in cash and cash equivalents	(1,839,640)
Cash and cash equivalents at beginning of year	2,063,309
Cash and cash equivalents at end of year	$ 223,669
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest (net of capitalized interest)	$ 77,522

See independent auditors' report and accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

STARS Nashville (the Organization) (formerly Center for Youth Issues - Nashville, Inc.) was established in 1985 as a nonprofit organization to help students make healthy lifestyle choices and refrain from the use of alcohol, other drugs, and violence in Davidson County and in surrounding counties in Tennessee.

Effective August 1, 2006, the Alcohol and Drug Council divested itself of the Youth Alive and Free Program in an effort to more closely streamline their programs with their mission statement. The Board of Directors of the Organization agreed to take on the services and contracts of that program.

Effective September 1, 2006, the Kids on the Block (the KOB) organization dissolved and the operations were merged into the Organization. All assets, liabilities, and employees of the KOB were transferred to the Organization, with the exception of the KOB Executive Director. The Organization provides services using the KOB name.

(b) Accrual Basis

The financial statements are prepared using the accrual basis of accounting, under which revenues are recognized when earned rather that when collected and expenses are recognized when incurred rather than when disbursed.

(c) Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS No. 117). Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

(d) Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

(e) Doubtful Accounts Receivable and Promises to Give

The Organization uses the allowance method to determine uncollectible accounts receivable and unconditional promises to give. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current status of accounts receivable and promises to give. There is no allowance for doubtful accounts at June 30, 2009. It is reasonably possible that management's estimate of the allowance for doubtful accounts could change. Receivables and promises to give are charged against the allowance when management believes the collectibility of the receivable is unlikely. For the year ended June 30, 2009, no bad debt expense was recognized. Accounts receivable are considered delinquent after ninety days. Late fees and interest are not assessed on delinquent accounts. It is not the policy of the Organization to place a customer on non-accrual status. At June 30, 2009, $3,350 of accounts receivable, and $1,751 of promises to give are greater than ninety days old.

(f) Property and Improvements

The Organization's property consists of the land, building, and furniture, fixtures, and equipment.

Property and improvements are recorded at cost, or at appraised value if donated. Depreciation is computed by the straight-line method based on the estimated useful lives of the related assets. The Organization capitalizes items that are greater than or equal to $1,000 and expenses items under

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$1,000. The Organization uses the direct expensing method to account for planned major maintenance activities.

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the Organization reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. No impairments have been recognized on any property at June 30, 2009.

(g) Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. Such temporarily restricted revenues totaled $1,888,463 during the year ended June 30, 2009, and are included in temporarily restricted revenues. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There was no permanently restricted revenue for the year ended June 30, 2009.

(h) Unearned Revenue

The Organization receives advance funds under certain school contracts. The funds are recorded as unearned revenue until the services are performed, at which time the Organization recognizes the funds as school contract fees.

(i) Use of Estimates

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

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(j) **Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) **Income Taxes**

The Organization has obtained a determination letter from the Internal Revenue Service effective July 1, 2000, which qualifies the Organization as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal or state income taxes. The Organization is not classified as a private foundation.

(l) **Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

(m) **Investments**

Investments consist of mutual funds and are carried at their fair value. Unrealized gains and losses are included in the Statement of Activities and Changes in Net Assets. Gains and investment income whose restrictions are met in the same reporting period are shown as unrestricted support.

(n) **Donated Services and Supplies**

Certain contributed supplies and specialized services are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. Volunteer services, which neither create nor enhance non-financial assets or do not require specialized skills, are not recognized as support.

(o) **Recently Issued Pronouncements**

In December 2008, the FASB issued FASB Staff Position (FSB) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* (Interpretation 48), to its annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected to defer the application of Interpretation 48 for the year ended June 30, 2009. The Organization evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been

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incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

(p) **Fair Value Measurements**

Effective July 1, 2008, the Organization adopted FASB SFAS No. 157, *Fair Value Measurements*. This standard defines fair value, provides guidance for measuring fair value, and requires certain disclosures. The standard utilizes a fair value hierarchy which is categorized into three levels based on the inputs to the valuation techniques used to measure fair value. The standard does not require any new fair value measurements, but discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The Organization's investments are measured on a recurring basis at fair value at the reporting date using quoted prices in active markets for identical assets (Level 1).

(q) **Fair Value of Financial Instruments**

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, unconditional promises to give, investments, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

(2) Investments

Investments are stated at fair value and are summarized at June 30, 2009 as follows:

	Cost	Fair Value	Carrying Value
Mutual funds - Equity	$ 197,091	$218,011	$218,011
Mutual funds - Fixed income	37,450	33,737	33,737
Mutual funds - Other	522,386	495,166	495,166
	$ 756,927	$ 746,914	$ 746,914

The amounts invested, market value, and yields at June 30, 2009 are summarized as follows:

Fair value	$ 746,914
Cost	(756,927)
Unrealized gain (loss)	$ (10,013)
Investment income	$ 35,262
Net realized gain (loss) on sale of investment	(23,568)
Trust fees	(7,952)
Realized net investment income	$ 3,742

(3) Unconditional Promises to Give

Unconditional promises to give - unrestricted represents pledges for donations relating to the year ended June 30, 2009 totaling $212,854, which are not funded until the subsequent year. Unconditional promises to give - restricted, which are not funded until a subsequent year and are temporarily restricted for use during a subsequent year, represent pledges for donations or grants as follows:

United Way Services	$ 592,097
Individuals	88,149
Corporations and foundations	25,000
	$ 705,246
Amounts due in:	
Less than one year	$ 705,246

(4) Building, Property and Equipment

The Organization purchased and renovated an office condominium unit and has partnered with the Oasis Center for fundraising purposes. The fundraising project is called the "Youth Opportunity Center". All funds are pledges raised and recorded by the Oasis Center. At June 30, 2009, Oasis Center has contributed $2,332,856 to the Organization. The building project was completed in December 2008. The total building cost of $3,130,765 has been capitalized as of June 30, 2009, including $98,342 of capitalized interest. There is $278,044 due to Oasis Center included in accounts payable at June 30, 2009 related to the building project.

At June 30, 2009, the Organization's property is recorded as follows:

	Useful Lives (Years)	
Land		$ 335,000
Building	39	3,130,765
Property and equipment	2 - 7	344,755
		3,810,520
Less - Accumulated depreciation		(194,845)
		$3,615,675

Depreciation expense for the year ended June 30, 2009 totaled $99,457.

(5) Other Assets

During 2009, the Organization purchased a golf club membership through donor gifts. The membership will assist the Organization with its annual fundraiser over the next ten years. A total membership cost of $210,000 has been capitalized and is being amortized over a 10 year period. Amortization expense is being recorded using the straight-line method and totaled $21,000 for the year ended June 30, 2009.

(6) Bonds Payable

On March 31, 2008, the Organization entered into a Loan Agreement (the Agreement) with the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (the Industrial Development Board) for financing the purchase of an office condominium unit and part of the cost of renovations (see Note 4). Under the terms of the Agreement, the Industrial Development Board issued $3,000,000 Revenue Bonds (STARS Nashville Project) Series 2008 (the Bonds). The Industrial Development Board entered into a Bond Purchase Agreement with SunTrust Bank (the Bank) concurrently upon the execution of the Agreement to loan the proceeds of the Bonds to the Organization.

The Organization makes interest only monthly payments that began April 1, 2008 and continue through March 1, 2011, at which time the principal must be paid down to $1,000,000. During the year, the organization made payments towards the principal totaling $1,400,000. Accrued interest of $8,892 is included in accounts payable at June 30, 2009. Commencing April 1, 2011, monthly payments of interest and principal will be made based on a 15 year amortization schedule with the balance due on the earlier of the Bank's exercise of its right to call the Bonds beginning on March 1, 2016 and each succeeding March 1 thereafter, or on the maturity date of March 1, 2023. The interest rate is fixed at 4.85%. A financial covenant required by the Industrial Development Board does not commence until

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the fiscal year ending 2011. The agreement with the Bank also secures the Bonds with a deed of trust and fixtures of the Organization.

Maturities of the Bonds payable as of June 30, 2009 are summarized as follows:

2010	$ -
2011	612,079
2012	47,050
2013	49,384
2014	51,833
Thereafter	839,654
	$ 1,600,000

(7) Pension Plan

The Organization has adopted a 401(k) profit sharing plan, which covers employees who have completed 1,000 hours of service within twelve months of their commencement date, and employees vest immediately upon entering the plan. The Organization makes non-elective safe-harbor contributions to each eligible participant in the amount of 3% of the employee's compensation for the plan year, as well as a 2% match. Total expenses for the 401(k) profit sharing plan for the year ended June 30, 2009 were $73,787, and are included in the Statement of Functional Expenses in personnel expense. At June 30, 2009, $6,880 was unfunded and, therefore, included in accrued wages and benefits.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

For use in the year ended June 30, 2010	$ 688,591
Specific programs	63,651
Building	86,000
Endowment income not appropriated	38,860
	$ 877,102

(9) Permanently Restricted Net Assets

Net assets in the amount of $167,150 at June 30, 2009 are permanently restricted for an endowment fund. The interest is unrestricted but included in temporarily restricted net assets until appropriated.

(10) Endowments

The Organization's endowment consists of one fund established as a general endowment to support the mission of the Organization. There are no funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies - The Organization has adopted investment policies, approved by the Board of Directors, that attempt to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed so as not to expose the fund to unacceptable levels of risk.

Spending Policy - The Organization has adopted a spending policy allowing accumulated earnings, plus 5% of the principal amount, to be used each year for fixed operating costs. Approval from the Board of Directors is required before any endowment funds are withdrawn.

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ -	$167,150	$ 167,150
Amounts not appropriated	-	38,860	-	38,860
Total funds	$ -	$ 38,860	$167,150	$ 206,010

Changes in endowment net assets as of June 30, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 63,498	$ -	$167,150	$ 230,648
Investment loss	-	(3,133)	-	(3,133)
Net appreciation (depreciation)	-	(21,505)	-	(21,505)
Reclassification	(63,498)	63,498	-	-
Endowment net assets, end of year	$ -	$ 38,860	$167,150	$ 206,010

(11) Leases

The Organization leased its former office space under an operating lease, effective through March 31, 2009 and additional space under an operating sublease through December 31, 2008. Lease expense for the year ended June 30, 2009 totaled $61,821, and is included in occupancy expense on the Statement of Functional Expenses.

The Organization capitalized the present value of an office equipment lease in the amount of $35,611 and related accumulated depreciation of $24,927 at June 30, 2009.

Minimum future payments at June 30 under the lease are as follows:

2010	$ 13,212
2011	6,606
Minimum payments	19,818
Imputed interest	(3,188)
	16,630
Less - Current portion	(10,445)
Total	$ 6,185

(12) Related Party Transactions

The Organization paid annual dues of $5,000 for the year ended June 30, 2009 to Center for Youth Issues, Inc. (National), which is the Organization's national affiliate.

During the year ended June 30, 2009, the Organization provided services to National totaling $1,461.

(13) Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Vacation and personal days not taken by the end of the Organization's fiscal year are forfeited. It is impracticable for the Organization to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

(14) Section 125 Plan

The Organization has adopted a Section 125 Plan (the Plan). The Plan is a cafeteria plan under Section 125 of the Internal Revenue Code, allowing a choice between cash and certain qualified benefits. Benefits are entirely funded through employee pre-tax deductions and employer contributions used to purchase elected benefits. Benefit options under the Plan consist of medical and dental insurance, which are provided through insurance policies for employees who work at least thirty hours a week, and a flexible spending account.

(15) Donated Services and Equipment

The Organization receives donated services from several unpaid volunteers assisting the Organization in various activities. No amounts have been recognized in the accompanying Statement of Activities and Changes in Net Assets because the criteria for recognition of such volunteer effort under Statement of Financial Accounting Standards No. 116 have not been satisfied.

(16) Board Designated Restrictions

The Board has designated $237,341 of investments for the Building Reserve Fund, which is included in unrestricted net assets at June 30, 2009.

(17) Concentrations of Credit Risk

A significant portion of the Organization's revenue is derived from individuals, organizations, corporations, schools, and foundations in middle Tennessee. The following organization contributed more than 10% of total unrestricted support, revenue, and other support during 2009:

Oasis Center	19%

This support represents the Organization's pro-rata share of the contributions that were designated for the Youth Opportunity Center.

(18) Risk on Uninsured Cash

At times during 2008, the Organization maintained cash balances in excess of the Federal Deposit Insurance Corporation's (FDIC) insured amount of $100,000 from July 1, 2008 through October 2, 2008 and the FDIC's temporary insured amount of $250,000 from October 3, 2008 through December 31, 2008. There was a risk of loss in the event of bank failure. Beginning in January 2009, the Organization's bank accounts had unlimited FDIC coverage; therefore, there was no risk of loss in the event of a bank failure through June 30, 2009.

(19) Subsequent Events

The Organization has evaluated subsequent events through November 5, 2009, the date the financial statements were available to be issued.

Supplementary Information

November 5, 2009

Report on Supplementary Information

To the Board of Directors
STARS Nashville
Nashville, Tennessee

Our report on our audit of the financial statements of STARS Nashville as of June 30, 2009 is presented in the preceding section of this report. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following financial information on page 19 is presented for purposes of additional analysis and is not a required part of the basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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STARS NASHVILLE

Statements of Activities and Changes in Net Assets

For the Years Ended June 30, 2009 and 2008

	2009	2008
Unrestricted net assets:		
Support and revenue:		
School contract fees	$1,279,752	$1,325,729
Contributions	455,284	469,664
Grants	364,771	708,994
Special events	157,020	130,340
Program service fees and funding	95,289	226,745
Interest and dividends	30,452	61,597
Leadership retreat	-	716
Gain (loss) on disposal of asset	(1,640)	-
Net unrealized and realized gains (losses) on investments	(62,851)	(58,203)
Miscellaneous	17,305	6,369
Total unrestricted support and revenue	2,335,382	2,871,951
Net assets released from restrictions and reclassification:		
Expiration of time restrictions	776,140	619,986
Satisfaction of program restrictions	2,645,855	73,602
Reclassification	(63,498)	-
Total net assets released from restrictions and reclassification	3,358,497	693,588
Total unrestricted support, revenue, and other support	5,693,879	3,565,539
Expenses:		
Program services	2,718,135	2,938,642
Fundraising	305,917	249,319
Management and general	480,316	449,988
Total expenses	3,504,368	3,637,949
Increase (decrease) in unrestricted net assets	2,189,511	(72,410)
Temporarily restricted net assets:		
United Way Services	594,625	598,202
Contributions	153,965	250,588
Building contributions	1,164,517	1,198,339
Interest and dividends	4,810	-
Net unrealized and realized gains (losses) on investments	(29,448)	-
Reclassification	63,498	-
Net assets released from restrictions	(3,421,995)	(693,588)
Increase (decrease) in temporarily restricted net assets	(1,470,028)	1,353,541
Increase (decrease) in net assets	719,483	1,281,131
Net assets at beginning of year	3,578,669	2,297,538
Net assets at end of year	$4,298,152	$3,578,669

See report on supplementary information.