

YOUTH ENCOURAGEMENT SERVICES

FINANCIAL STATEMENTS

December 31, 2008 and 2007

YOUTH ENCOURAGEMENT SERVICES

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Youth Encouragement Services
Nashville, Tennessee

We have audited the accompanying statement of financial position of Youth Encouragement Services as of December 31, 2008, and the related statements of activities, cash flows and functional expenses 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. The financial statements of Youth Encouragement Services as of December 31, 2007, were audited by other auditors whose opinion dated September 4, 2008, on those statements was qualified because of the matters described in the third paragraph below.

Except as discussed in the following paragraph, 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 misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 2 to the financial statements, certain land and buildings are stated at estimated appraised value as of December 31, 1994 in the accompanying statement of financial position. Also, depreciation expense has not been recorded for all years in which the buildings have been in service. Generally accepted accounting principles require that such assets be stated at acquisition cost, net of depreciation on buildings, and that depreciation be recorded each year based on the economic life of the buildings. The effects on the financial statements of the preceding practices are not reasonably determinable. Also for 2007, the other auditors for that year, because of the inability to test the completeness of contributions for the public support of the Organization, were unable to form an opinion regarding the amount of revenue in the accompanying 2007 statement of activity stated at \$907,316 and \$537,800 for unrestricted and temporarily restricted net assets, respectively.

In our opinion, except for the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Encouragement Services as of December 31, 2008, and the changes in its nets assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

September 8, 2009

YOUTH ENCOURAGEMENT SERVICES
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash	\$ 259,622	\$ 478,878
Investments	121,659	179,882
Grant receivable	15,175	-
Prepaid expenses and other	830	6,605
Total current assets	<u>397,286</u>	<u>665,365</u>
Property and equipment, net:		
Land	106,236	106,236
Land improvements	4,095	4,095
Buildings	590,986	535,059
Furniture, fixtures and equipment	96,162	91,492
Vehicles	224,004	184,485
	1,021,483	921,367
Less accumulated depreciation	<u>(410,794)</u>	<u>(354,023)</u>
Property and equipment, net	<u>610,689</u>	<u>567,344</u>
Total assets	<u>\$ 1,007,975</u>	<u>\$ 1,232,709</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,911	\$ 31,004
Note payable, current portion	8,006	28,720
Total current liabilities	43,917	59,724
Note payable, net of current portion	<u>8,664</u>	<u>-</u>
Total liabilities	<u>52,581</u>	<u>59,724</u>
Net assets:		
Unrestricted	787,787	648,377
Temporarily restricted	162,607	519,608
Permanently restricted	5,000	5,000
Total net assets	<u>955,394</u>	<u>1,172,985</u>
Total liabilities and net assets	<u>\$ 1,007,975</u>	<u>\$ 1,232,709</u>

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Public support:				
Corporate support	\$ 71,791	\$ 233,000	\$ -	\$ 304,791
Individual support	197,764	41,063	-	238,827
Fundraising revenue	214,353	-	-	214,353
Congregational support	87,199	-	-	87,199
In-kind donations	71,942	-	-	71,942
Government grant	15,175	-	-	15,175
Total public support	<u>658,224</u>	<u>274,063</u>	<u>-</u>	<u>932,287</u>
Revenues:				
Miscellaneous income	9,482	-	-	9,482
Interest income	5,096	-	-	5,096
Investment loss	<u>(94,011)</u>	<u>-</u>	<u>-</u>	<u>(94,011)</u>
Total revenues	<u>(79,433)</u>	<u>-</u>	<u>-</u>	<u>(79,433)</u>
Net assets released from restrictions	<u>631,064</u>	<u>(631,064)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>1,209,855</u>	<u>(357,001)</u>	<u>-</u>	<u>852,854</u>
Expenses:				
Program	667,571	-	-	667,571
Management and general	221,809	-	-	221,809
Fundraising	<u>181,065</u>	<u>-</u>	<u>-</u>	<u>181,065</u>
Total expenses	<u>1,070,445</u>	<u>-</u>	<u>-</u>	<u>1,070,445</u>
Change in net assets	139,410	(357,001)	-	(217,591)
Net assets at beginning of year	<u>648,377</u>	<u>519,608</u>	<u>5,000</u>	<u>1,172,985</u>
Net assets at end of year	<u>\$ 787,787</u>	<u>\$ 162,607</u>	<u>\$ 5,000</u>	<u>\$ 955,394</u>

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Public support:				
Restricted contributions	\$ -	\$ 537,800	\$ -	\$ 537,800
Individual support	321,354	-	-	321,354
Fundraising revenue	264,545	-	-	264,545
In-kind donations	178,825	-	-	178,825
Corporate support	86,831	-	-	86,831
Congregational support	55,761	-	-	55,761
Total public support	<u>907,316</u>	<u>537,800</u>	<u>-</u>	<u>1,445,116</u>
Revenues:				
Gain on sale of property and equipment	78,283	-	-	78,283
Miscellaneous income	18,304	-	-	18,304
Investment income	9,814	-	-	9,814
Rental income	750	-	-	750
Interest income	121	-	-	121
Total revenues	<u>107,272</u>	<u>-</u>	<u>-</u>	<u>107,272</u>
Net assets released from restrictions	<u>103,872</u>	<u>(103,872)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>1,118,460</u>	<u>433,928</u>	<u>-</u>	<u>1,552,388</u>
Expenses:				
Program	743,964	-	-	743,964
Management and general	199,135	-	-	199,135
Fundraising	204,556	-	-	204,556
Total expenses	<u>1,147,655</u>	<u>-</u>	<u>-</u>	<u>1,147,655</u>
Change in net assets	(29,195)	433,928	-	404,733
Net assets at beginning of year	<u>677,572</u>	<u>85,680</u>	<u>5,000</u>	<u>768,252</u>
Net assets at end of year	<u>\$ 648,377</u>	<u>\$ 519,608</u>	<u>\$ 5,000</u>	<u>\$ 1,172,985</u>

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (217,591)	\$ 404,733
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities:		
Depreciation	56,773	50,551
Gain on sale of property and equipment	-	(78,283)
Net loss on investments	94,011	6,829
Donated investments	-	(43,342)
Changes in operating assets and liabilities:		
Grant receivable	(15,175)	-
Prepaid expenses and other	5,775	-
Accounts payable and accrued expenses	4,907	14,865
Net cash (used in) provided by operating activities	<u>(71,300)</u>	<u>355,353</u>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	-	148,738
Purchases of property and equipment	(100,118)	(119,578)
Purchase of investments	(154,588)	-
Proceeds from sale of investments	118,800	852
Net cash (used in) provided by investing activities	<u>(135,906)</u>	<u>30,012</u>
Cash flows from financing activities:		
Payments of note payable	(12,050)	(89,247)
Net cash used in financing activities	<u>(12,050)</u>	<u>(89,247)</u>
(Decrease) increase in cash	(219,256)	296,118
Cash at beginning of year	478,878	182,760
Cash at end of year	<u>\$ 259,622</u>	<u>\$ 478,878</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 870</u>	<u>\$ 8,540</u>

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008

	Inner City Centers	Camp	Total Program Services	Management and General	Fundraising	Total Supporting Services	Grand Total
Salaries and wages	\$ 204,401	\$ 28,555	\$ 232,956	\$ 55,203	\$ 19,211	\$ 74,414	\$ 307,370
Housing and auto allowance	69,175	-	69,175	13,531	13,531	27,062	96,237
In-kind donations for auction	-	-	-	-	71,942	71,942	71,942
Utilities	53,810	4,172	57,982	8,238	-	8,238	66,220
Professional services	-	-	-	65,933	-	65,933	65,933
Insurance	50,840	-	50,840	8,802	3,996	12,798	63,638
Depreciation	56,773	-	56,773	-	-	-	56,773
Travel, meals and entertainment	-	-	-	32,497	13,927	46,424	46,424
Supplies	27,984	-	27,984	14,757	3,551	18,308	46,292
Fundraising activities	-	-	-	-	42,384	42,384	42,384
Bus/van	30,074	-	30,074	-	-	-	30,074
Payroll taxes	18,166	2,361	20,527	4,565	1,587	6,152	26,679
Repairs and maintenance	16,863	5,522	22,385	3,372	-	3,372	25,757
Christmas store	24,589	-	24,589	-	-	-	24,589
Program materials	23,957	-	23,957	-	-	-	23,957
Printing and publications	4,338	-	4,338	4,337	4,351	8,688	13,026
Miscellaneous	1,452	-	1,452	8,360	1,208	9,568	11,020
Scholarships and awards	10,885	-	10,885	-	-	-	10,885
Honor roll trip	9,624	-	9,624	-	-	-	9,624
Postage	4,288	-	4,288	953	4,287	5,240	9,528
Camp	-	8,647	8,647	-	-	-	8,647
Blessing fund	6,101	-	6,101	-	-	-	6,101
Basketball program	3,893	-	3,893	-	-	-	3,893
Advertising and promotion	527	-	527	-	1,090	1,090	1,617
Interest	-	-	-	870	-	870	870
Dues and subscriptions	574	-	574	-	-	-	574
Employee related expenses	-	-	-	391	-	391	391
Total	\$ 618,314	\$ 49,257	\$ 667,571	\$ 221,809	\$ 181,065	\$ 402,874	\$ 1,070,445

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	Inner City Centers	Camp	Total Program Services	Management and General	Fundraising	Total Supporting Services	Grand Total
Salaries and wages	\$ 202,080	\$ 28,223	\$ 230,303	\$ 54,560	\$ 18,993	\$ 73,553	\$ 303,856
Christmas store	108,972	-	108,972	-	-	-	108,972
Utilities	63,959	4,959	68,918	9,795	-	9,795	78,713
In-kind donations for auction	-	-	-	-	78,004	78,004	78,004
Miscellaneous	7,755	-	7,755	44,652	6,450	51,102	58,857
Housing and auto allowance	42,216	-	42,216	8,258	8,258	16,516	58,732
Program materials	58,076	-	58,076	-	-	-	58,076
Insurance	45,649	-	45,649	7,902	3,586	11,488	57,137
Fundraising activities	-	-	-	-	53,006	53,006	53,006
Depreciation	50,551	-	50,551	-	-	-	50,551
Printing and publications	11,599	-	11,599	11,599	11,634	23,233	34,832
Travel, meals and entertainment	-	-	-	23,190	9,939	33,129	33,129
Bus/van	26,083	-	26,083	-	-	-	26,083
Repairs and maintenance	16,709	5,473	22,182	3,340	-	3,340	25,522
Supplies	14,844	-	14,844	7,829	1,882	9,711	24,555
Payroll taxes	16,487	2,143	18,630	4,143	1,442	5,585	24,215
Professional services	-	-	-	13,511	-	13,511	13,511
Advertising and promotion	4,265	-	4,265	-	8,814	8,814	13,079
Interest	-	-	-	8,540	-	8,540	8,540
Scholarships and awards	8,473	-	8,473	-	-	-	8,473
Honor roll trip	8,361	-	8,361	-	-	-	8,361
Blessing fund	6,540	-	6,540	-	-	-	6,540
Camp	-	5,723	5,723	-	-	-	5,723
Postage	2,548	-	2,548	566	2,548	3,114	5,662
Basketball program	2,042	-	2,042	-	-	-	2,042
Employee related expenses	-	-	-	1,250	-	1,250	1,250
Dues and subscriptions	234	-	234	-	-	-	234
Total	\$ 697,443	\$ 46,521	\$ 743,964	\$ 199,135	\$ 204,556	\$ 403,691	\$ 1,147,655

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1 – NATURE OF OPERATIONS

Youth Encouragement Services (the “Organization”) was incorporated as a nonprofit entity for the purpose of providing programs for the benefit of inner city children. The Organization is funded primarily through contributions from corporations, individuals and churches.

Program Services:

Inner City Centers

Three centers are available on a daily basis to inner city children. The three locations are designed to provide a safe place for informal play, relaxation, and performance of school work. Tutoring programs are available every Thursday evening to help students with reading, math, English, cooking and computer skills. Parenting skills and adult literacy programs are also provided. A basketball league is provided for young people ages nine to eighteen.

Camp

A summer camp is provided for inner city youth at the Organization’s Dividing Ridge Camp location in Robertson County, Tennessee.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization are presented on the accrual basis.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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 may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent during the same fiscal year.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations 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 for unrestricted purposes.

YOUTH ENCOURAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents. The cash accounts are held primarily by financial institutions and at times may exceeds amounts that are federally insured. In management's opinion, risk related to such possible deposits is reduced based on the credit quality of its depository financial institutions.

Investments

The Organization has adopted Statement of Financial Accounting Standards ("SFAS") No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Property and Equipment

Land and buildings amounting to \$91,211 and \$180,412, respectively, are recorded at estimated appraised value as of December 31, 1994. Property and equipment acquired subsequent to December 31, 1994 are recorded at acquisition cost. Depreciation of property and equipment has been provided since June 30, 1990, over the estimated useful lives of the respective assets primarily on a straight-line basis.

Donated Materials, Services and Assets

The following donations are reflected as contributions in the accompanying statements at their estimated values at date of receipt for the years ending December 31:

YOUTH ENCOURAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>2008</u>	<u>2007</u>
Christmas store	\$ 44,472	\$ 95,225
Auction items	27,470	78,004
Investments	-	43,342
Back-to-school	<u>-</u>	<u>5,596</u>
	<u>\$ 71,942</u>	<u>\$ 222,167</u>

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

A number of unpaid volunteers have made significant contributions of their time to assist in fund-raising and special projects. The Organization estimates receipt of approximately 9,000 and 12,000 volunteer hours for the years ended December 31, 2008 and 2007, respectively. However, these services do not meet the requirements above and have not been recorded in the accompanying financial statements.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

Revenue Recognition

Cash contributions are recognized as revenue when received.

Unconditional promises to give that are expected to be collected within one year are recorded 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. The discounts on those amounts are

YOUTH ENCOURAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Grant funds are earned and reported as revenues of the applicable grant when the Organization has incurred expenses in compliance with specific restrictions of the grant agreement. Expenses incurred for grant funds which have not been received are reported as grants receivable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 public support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$1,617 and \$13,079 for the years ended December 31, 2008 and 2007, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated based upon management's estimate among the programs and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation.

NOTE 3 – RISKS, UNCERTAINTIES AND OTHER CONSIDERATIONS

The Organization utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

YOUTH ENCOURAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 4 – INVESTMENTS

Investments are held by CapTrust Financial Advisors. A summary of investments as of December 31 is as follows:

	<u>2008</u>	<u>2007</u>
Money market funds	\$ -	\$ 2
Mutual funds	121,659	144,910
Common stocks	<u>-</u>	<u>34,970</u>
	<u>\$ 121,659</u>	<u>\$ 179,882</u>

The following schedule summarizes the investment income (loss) in the statement of activities for the year ended December 31:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 517	\$ 16,643
Net loss on investments	<u>(94,528)</u>	<u>(6,829)</u>
	<u>\$ (94,011)</u>	<u>\$ 9,814</u>

Basis of fair value measurement for investments consists of the following at December 31:

	<u>2008</u>		<u>2007</u>
	Fair Market Value	Quoted Prices in Active Markets for Identical Items (Level 1)	Fair Market Value
Money market funds	\$ -	\$ -	\$ 2
Mutual funds	121,659	121,659	144,910
Common stocks	<u>-</u>	<u>-</u>	<u>34,970</u>
	<u>\$ 121,659</u>	<u>\$ 121,659</u>	<u>\$ 179,882</u>

YOUTH ENCOURAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 5 – NOTE PAYABLE AND LINE OF CREDIT

As of December 31, 2008, the Organization has a \$16,670 note payable to a bank due in monthly installments of \$713. The note payable bears a fixed interest rate of 4.35% per annum and is callable in December 2010. The note is secured by deposits and investments held by the lending institution.

The Organization had a \$28,720 note payable to a bank in monthly installments of \$1,333 at December 31, 2007. The note payable bore interest at the bank's 30-day LIBOR index rate plus 1.5% per annum (5.9575% at December 31, 2007) and was callable in October 2008. The note was secured by cash and other accounts.

The Organization had a \$95,000 line of credit available with a bank at December 31, 2007. The line of credit was secured by cash and other accounts of the Organization and matured November 2008. There were no borrowings outstanding at December 31, 2007, and the line of credit was not renewed at maturity. On June 15, 2009 the Organization entered into a \$100,000 line of credit agreement with a bank. The line of credit bears interest at prime plus 1%, is secured by cash and other accounts, and matures August 2010.

NOTE 6 – NET ASSETS

Temporarily restricted net assets as of December 31 are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Acquisition of new computers	\$ 15,000	\$ 18,808
Renovation of centers	5,700	65,000
Capital campaign	94,779	425,800
Scholarship	<u>47,128</u>	<u>10,000</u>
	<u>\$ 162,607</u>	<u>\$ 519,608</u>

Permanently restricted net assets are held in perpetuity with the income from assets expendable to support certain programs. A summary of the permanently restricted net assets as of December 31 is as follows:

	<u>2008</u>	<u>2007</u>
Ardell Whitehead Endowment Fund	<u>\$ 5,000</u>	<u>\$ 5,000</u>

During 2008, the Organization adopted Financial Accounting Standards Board ("FASB") Staff Position 117-1, *Endowments for Not-for-Profit Organizations*. Under this pronouncement, permanently restricted net assets would follow the Uniform Prudent Management Institutional Funds Act. In that case, permanently restricted net assets are not released by investment losses or

YOUTH ENCOURAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 6 – NET ASSETS (Continued)

organization expenditure from the fund. It also requires additional disclosures, if significant, regarding management's investments policies. However, the Organization presently does not maintain significant permanently restricted net assets, and no change occurred in the Organization's permanently restricted net assets during 2008.

NOTE 7 – GOVERNMENT GRANT

During 2008, the Organization was awarded a grant totaling \$37,500 from the Metropolitan Government of Nashville and Davidson County with a grant term of July 1, 2008 through June 30, 2009. In conjunction with this grant \$15,175 is included as grant receivable and grant revenue in the accompanying 2008 statement of financial position and statement of activities, respectively.