

HANDS ON NASHVILLE, INC.

FINANCIAL STATEMENTS

December 31, 2004 and 2003

HANDS ON NASHVILLE, INC.
Nashville, Tennessee

FINANCIAL STATEMENTS
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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Hands On Nashville, Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of Hands On Nashville, Inc., as of December 31, 2004 and 2003, and the related statements of activities, functional expenses and cash flows for the years 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 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 Hands On Nashville, Inc., as of December 31, 2004 and 2003, 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.

Crowe Chizek and Company LLC

Brentwood, Tennessee
May 4, 2005

HANDS ON NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 175,815	\$ 148,797
Cash – restricted	4,140	4,328
Unconditional promises to give (Note 3)	<u>2,000</u>	<u>99,710</u>
	181,955	252,835
 Equipment, net (Note 2)	 24,937	 41,269
 Other assets		
Deposits	<u>1,000</u>	<u>73</u>
	<u>\$ 207,892</u>	<u>\$ 294,177</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	<u>\$ 4,140</u>	<u>\$ 4,328</u>
 Net assets		
Unrestricted	115,201	145,132
Temporarily restricted	<u>88,551</u>	<u>144,717</u>
	<u>203,752</u>	<u>289,849</u>
	<u>\$ 207,892</u>	<u>\$ 294,177</u>

See accompanying notes to financial statements.

HANDS ON NASHVILLE, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2004 and 2003

	2004			2003		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support						
Grants	\$ 16,200	\$ -	\$ 16,200	\$ 11,000	\$ -	\$ 11,000
Corporate contributions	114,269	84,331	198,600	90,346	122,170	212,516
Individual contributions	38,909	-	38,909	13,581	-	13,581
United Way designations	12,600	-	12,600	27,600	-	27,600
Interest income	580	-	580	690	-	690
Other income	24,525	-	24,525	10,204	-	10,204
Net assets released from Restrictions (Note 6)	<u>140,497</u>	<u>(140,497)</u>	<u>-</u>	<u>204,246</u>	<u>(204,246)</u>	<u>-</u>
Total revenues and other support	347,580	(56,166)	291,414	357,667	(82,076)	275,591
Expenses						
Program services	303,213	-	303,213	267,796	-	267,796
Management and general	43,291	-	43,291	35,284	-	35,284
Fundraising	<u>31,007</u>	<u>-</u>	<u>31,007</u>	<u>28,534</u>	<u>-</u>	<u>28,534</u>
Total expenses	<u>377,511</u>	<u>-</u>	<u>377,511</u>	<u>331,614</u>	<u>-</u>	<u>331,614</u>
Increase (decrease) in net assets	(29,931)	(56,166)	(86,097)	26,053	(82,076)	(56,023)
Net assets – beginning of year	<u>145,132</u>	<u>144,717</u>	<u>289,849</u>	<u>119,079</u>	<u>226,793</u>	<u>345,872</u>
Net assets – end of year	<u>\$ 115,201</u>	<u>\$ 88,551</u>	<u>\$ 203,752</u>	<u>\$ 145,132</u>	<u>\$ 144,717</u>	<u>\$ 289,849</u>

See accompanying notes to financial statements.

HANDS ON NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2004

	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Hands on Nashville Day</u>	<u>Other</u>			
Salaries	\$ 9,261	\$ 175,964	\$ 23,153	\$ 23,153	\$ 231,531
Payroll taxes	<u>633</u>	<u>12,033</u>	<u>1,583</u>	<u>1,583</u>	<u>15,832</u>
Total salaries and benefits	9,894	187,997	24,736	24,736	247,363
Rent	-	24,310	2,860	1,430	28,600
Postage	2,589	-	305	152	3,046
Supplies	-	5,190	1,384	346	6,920
Printing	1,331	6,210	887	443	8,871
Program expense	-	12,256	-	-	12,256
Repairs and maintenance	-	8,842	-	-	8,842
Travel	-	1,889	-	-	1,889
Telephone	-	4,939	926	309	6,174
Professional fees	-	-	10,307	-	10,307
Dues and subscriptions	-	2,943	784	196	3,923
Insurance	-	1,679	88	-	1,767
Depreciation	-	13,066	-	3,266	16,332
Board development	-	705	37	-	742
Staff development	-	1,645	-	-	1,645
Licenses and permit	233	-	62	15	310
Utilities	-	1,939	228	114	2,281
Food and beverage	338	10,364	563	-	11,265
CNTI restricted	-	2,500	-	-	2,500
Miscellaneous	<u>74</u>	<u>2,280</u>	<u>124</u>	<u>-</u>	<u>2,478</u>
Total other expenses	<u>4,565</u>	<u>100,757</u>	<u>18,555</u>	<u>6,271</u>	<u>130,148</u>
Total functional expenses	<u>\$ 14,459</u>	<u>\$ 288,754</u>	<u>\$ 43,291</u>	<u>\$ 31,007</u>	<u>\$ 377,511</u>

(Continued)

HANDS ON NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2003

	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Hands on Nashville Day</u>	<u>Other</u>			
Salaries	\$ 8,318	\$ 158,036	\$ 20,794	\$ 20,794	\$ 207,942
Payroll taxes	<u>579</u>	<u>10,987</u>	<u>1,445</u>	<u>1,445</u>	<u>14,456</u>
Total salaries and benefits	8,897	169,023	22,239	22,239	222,398
Rent	-	24,310	2,860	1,430	28,600
Postage	4,020	-	473	236	4,729
Supplies	-	3,397	906	226	4,529
Printing	1,802	8,287	1,187	593	11,869
Program expense	-	-	-	-	-
Repairs and maintenance	-	1,553	-	-	1,553
Travel	-	2,308	-	-	2,308
Marketing	-	292	-	-	292
Telephone	-	4,924	923	308	6,155
Professional fees	-	-	4,686	-	4,686
Dues and subscriptions	-	2,850	760	191	3,801
Insurance	-	3,237	170	-	3,407
Depreciation	-	10,156	-	2,539	12,695
Board development	-	1,201	63	-	1,264
Staff development	-	1,670	-	-	1,670
Office equipment	-	810	216	54	1,080
Licenses and permit	349	-	93	23	465
Utilities	-	1,899	223	112	2,234
Food and beverage	321	8,885	485	-	9,691
CNTI restricted	-	4,530	-	-	4,530
Miscellaneous	<u>1,461</u>	<u>1,614</u>	<u>-</u>	<u>583</u>	<u>3,658</u>
Total other expenses	<u>7,953</u>	<u>81,923</u>	<u>13,045</u>	<u>6,295</u>	<u>109,216</u>
Total functional expenses	<u>\$ 16,850</u>	<u>\$ 250,946</u>	<u>\$ 35,284</u>	<u>\$ 28,534</u>	<u>\$ 331,614</u>

See accompanying notes to financial statements.

HANDS ON NASHVILLE, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Decrease in net assets	\$ (86,097)	\$ (56,023)
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation expense	16,332	12,695
Changes in assets and liabilities		
Unconditional promises to give	97,710	106,590
Deposits	(927)	18,000
Prepaid rent	-	2,383
Accounts payable	(188)	(3,012)
Accrued payroll	-	-
Deferred revenue	-	(32,000)
Other liabilities	-	(520)
Net cash from operating activities	<u>26,830</u>	<u>48,113</u>
Cash flows from investing activities		
Purchases of equipment	<u>-</u>	<u>(36,000)</u>
Net cash from investing activities	<u>-</u>	<u>(36,000)</u>
Net change in cash	26,830	12,113
Cash and cash equivalents beginning of year	<u>153,125</u>	<u>141,012</u>
Cash and cash equivalents end of year	<u>\$ 179,955</u>	<u>\$ 153,125</u>

See accompanying notes to financial statements.

HANDS ON NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: Hands On Nashville, Inc. (the "Organization") is a not-for-profit organization located in Nashville, Tennessee. The Organization's mission is to be recognized leaders of programs, partnerships and services that maximize volunteer impact in the greater Nashville community.

Classification of Restricted and Unrestricted Net Assets: The Organization has adopted Statement of Financial Accounting Standard No. 117 (SFAS 117), *Financial Statements of Not-For-Profit Organizations*. SFAS 117 establishes standards for general purpose external financial statements provided by not-for-profit organizations. In addition, it requires that the amounts of three classes of assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position, and that the amounts of change in each of these classes of net assets be displayed in a statement of activities.

SFAS 117 requires the Organization to report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

For the year ended December 31, 2004, the Organization received temporarily restricted contributions in the amount of \$84,331 restricted for specific purposes. During 2003, the Organization received temporarily restricted contributions in the amount of \$122,170 designated for technology upgrades.

At December 31, 2004 and 2003, and for the years then ended, there were no permanent restrictions on net assets.

Contributions and Promises to Give: 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 recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

No allowance for uncollectible unconditional promises to give is considered necessary, as all amounts are considered collectible.

HANDS ON NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Restricted cash represents funds held for an outside party, for which a corresponding liability has been recorded. These amounts are included as cash and cash equivalents in the Statement of Cash Flows.

Equipment: The Organization's policy is to record purchased and contributed fixed assets at cost and fair value, respectively. The cost of equipment is depreciated using other accelerated methods over the estimated useful lives as follows:

Computer and office equipment	5 - 7 years
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Depreciation expense for the years ended December 31, 2004 and 2003, amounted to \$16,332 and \$12,695, respectively.

Donated Services: No amounts have been reflected in the financial statements for donated services as no objective basis is available to measure the value of such services. The Organization pays for most services requiring specific expertise. However, the Organization coordinates many individuals who volunteer their time and perform a variety of tasks throughout the Nashville community. During the years ended December 31, 2004 and 2003, the Organization coordinated more than 14,000 hours of volunteer services.

Income Taxes: The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Concentration of Revenues and Support: Substantially all of the Organization's revenues are donations and special events which are dependent on fund raising efforts.

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

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash on deposit and unconditional promises to give. The Organization's cash deposits are in a financial institution located in Tennessee and may, at times, exceed federally insured amounts. Concentrations of credit risk with respect to unconditional promises to give are limited to corporate donors and foundations in the Nashville area. Management does not believe significant credit risk exists at December 31, 2004.

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HANDS ON NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Certain reclassifications have been made to the prior year financial statements to conform to current presentation.

NOTE 2 - EQUIPMENT

Equipment consists of the following at December 31:

	<u>2004</u>	<u>2003</u>
Computer and office equipment	\$ 93,060	\$ 93,060
Less: Accumulated depreciation	<u>(68,123)</u>	<u>(51,791)</u>
	<u>\$ 24,937</u>	<u>\$ 41,269</u>

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2004, the Organization has unconditional promises to give from two corporate donors. These unconditional promises are unrestricted. Unconditional promises to give are expected to be received within the next fiscal year.

At December 31, 2003, the Organization had unconditional promises to give totaling \$99,710, which were expected to be received within the next fiscal year.

NOTE 4 - OPERATING LEASES

Beginning January 1, 2003, the Organization leased a new office space under an agreement that expires December 31, 2007. Rent expense for both years ended December 31, 2004 and 2003 was \$28,600.

During 2004, the organization entered into two equipment leases that expire between March 2008 and August 2008. Rent expense for the year ended December 31, 2004 was \$236.

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HANDS ON NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 4 - OPERATING LEASES (Continued)

The following is a schedule of noncancellable minimum lease payments:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	\$ 33,136
2006	34,436
2007	35,736
2008	<u>1,753</u>
	<u>\$ 105,061</u>

NOTE 5 - TAX DEFERRED ANNUITY PLAN

The Organization sponsors a tax deferred annuity plan qualified under section 403(b) of the Internal Revenue Code. The Plan covers full-time employees of the Organization. No contributions were made to the Plan by the Organization during 2004 and 2003.

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended December 31:

	<u>2004</u>	<u>2003</u>
Purpose restrictions accomplished:		
Operating expenses	\$ 123,962	\$ 157,848
Technology upgrades	<u>16,535</u>	<u>46,398</u>
	<u>\$ 140,497</u>	<u>\$ 204,246</u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31,:

	<u>2004</u>	<u>2003</u>
Technology upgrades	\$ 15,035	\$ 16,535
Book Bungalow	4,500	-
Operating expenses	<u>69,016</u>	<u>128,182</u>
	<u>\$ 88,551</u>	<u>\$ 144,717</u>
