

100 BLACK MEN OF MIDDLE TENNESSEE, INC.

REPORT ON AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

HARRY E. TATE
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752 M L KING BOULEVARD
CHATTANOOGA, TENNESSEE 37403

100 HUNDRED BLACK MEN OF MIDDLE TENNESSEE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
100 Black Men of Middle Tennessee, Inc.

I have audited the accompanying statement of financial position of 100 Black Men of Middle Tennessee, Inc. (100 BMMT) (a non-profit organization) as of December 31, 2004, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of 100 BMMT's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of 100 BMMT as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

H. Tate, CPA

Chattanooga, Tennessee
March 9, 2005

100 BLACK MEN OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION

December 31, 2004

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 58,752
Pledges Receivable	41,385
Membership Dues and Assessments	22,130
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Total Current Assets	122,268

PROPERTY AND EQUIPMENT

Automotive Equipment	19,250
Furniture and Fixtures	4,045
Office Equipment	12,320
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Total Property and Equipment	35,615
Less Accumulated Depreciation	(17,561)
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Net Property and Equipment	18,054

OTHER ASSETS

Investments in Equity Securities	327,554
The R. H. Boyd Family Endowment Fund	100,000
Investments in Fixed Income Securities	79,380
Community Foundation Endowment Fund	9,150
Cash in Brokerage Accounts	7,122
Security Deposit	2,998
	<hr/>
Total Other Assets	526,204
	<hr/>
Total Assets	\$ 666,525

The accompanying notes are an integral part of these financial statements

100 BLACK MEN OF MIDDLE TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2004

LIABILITIES

CURRENT LIABILITIES

Accounts Payable-Operations	\$ 7,360
Deferred Income	<u>88,000</u>
Total Current Liabilities	<u>95,360</u>

OTHER LIABILITIES

Security Deposit	<u>-</u>
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LONG-TERM LIABILITIES

Total Liabilities	<u>95,360</u>
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NET ASSETS

Unrestricted:	
Board Designated	211,163
Undesignated, as restated	72,029
Temporarily Restricted	187,973
Permanently Restricted	<u>100,000</u>
Total Net Assets	<u>571,165</u>

Total Liabilities and Net Assets	<u>\$ 666,525</u>
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The accompanying notes are an integral part of these financial statements.

100 BLACK MEN OF MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
December 31, 2004

Changes in unrestricted net assets:

Revenues, Support, and Gains.

Annual Dinner Gala	\$ 196,660
Other Fundraising Events	24,220
Donations	98,157
Membership Dues and Assessments	28,250
Dividend Income	4,733
Interest Income	2,088
Miscellaneous Receipts	1,444
Realized Gains on Investments	18,772
Unrealized Gains on Investments	27,285

Total unrestricted revenues, support, and gains

401,609

assets released from restrictions:

-

Total unrestricted revenues, support, and gains

401,609

expenses and losses.

Program Services	332,937
Management and General	87,565
Fundraising Activities	103,374
Loss on Disposal of Assets	2,786

Total expenses and Losses

526,662

Decrease in unrestricted net assets

(125,053)

Changes in temporarily restricted net assets:

Interest Income	69
Contributions - 100 Kings Program Sponsors	60,000
Contribution - R. H. Boyd Family Foundation	1,253
Total increase in restricted revenues and support	61,322

restricted net assets released to satisfy donor requirements

-

Net changes in temporarily restricted net assets

61,322

Changes in permanently restricted net assets:

Contribution - R. H. Boyd Family Foundation	1,253
Net assets released to satisfy donor requirements	(1,253)
Net decrease in permanently restricted net assets	0

Increase in net assets

(63,729)

assets at beginning of year, as restated

634,895

assets at end of year

\$ 571,165

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

100 BLACK MEN OF MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2004

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Activities</u>	<u>Totals</u>
Audit and Accounting	\$ -	\$ 20,771	\$ -	\$ 20,771
Bank Service Charges	-	67	-	67
Broker Fees and Charges	5,997	-	-	5,997
Conferences and Seminars	-	744	-	744
Contract Labor	4,890	1,724	862	7,476
Uncollectible Dues & Assessments	-	8,640	-	8,640
Depreciation Expense	1,656	3,311	1,656	6,622
Dues and Subscriptions	-	735	-	735
Equipment Rental	2,203	3,958	2,203	8,363
Annual Dinner Gala	33,989	-	33,988	67,977
Other Events	-	-	18,324	18,324
Liability Insurance	-	1,945	-	1,945
Interest Expense	-	1,992	-	1,992
Miscellaneous Expenses	945	728	374	2,047
National Dues and Membership	-	3,310	-	3,310
Office Supplies and Expenses	851	1,703	851	3,406
Payroll Taxes	4,640	2,099	2,484	9,223
Salary Expenses	57,985	26,228	31,041	115,254
Scholarships Awarded	132,477	-	-	132,477
Postage and Delivery	1,772	236	354	2,363
Printing/Advertising	5,377	717	1,075	7,169
School Allocations	19,125	-	-	19,125
Field Trips/Outings	6,161	-	-	6,161
Tuition and Fees	24,825	-	-	24,825
Snacks and Food	542	-	-	542
Program Supplies	60	-	-	60
Rent	14,388	6,618	7,770	28,776
Technology	2,507	1,153	1,354	5,014
Telephone	1,922	884	1,038	3,844
Transportation	7,442	-	-	7,442
Travel	3,182	-	-	3,182
	-	-	-	-
Total Functional Expenses	\$ 332,937	\$ 87,565	\$ 103,374	\$ 523,875

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

100 BLACK MEN OF MIDDLE TENNESSEE, INC
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2004

Cash Flows From Operating Activities.	
Decrease in Net Assets	\$ (63,729)
Adjustments to reconcile decrease in net cash provided by operating activities:	
Depreciation	6,622
Increase (decrease) in operating assets:	
Assessments Receivable	17,210
Membership Dues Receivable	(6,980)
Allowance for Uncollectible Assessments	(4,080)
Allowance for Uncollectible Membership Dues	(1,230)
Pledges Receivable	(35,000)
Miscellaneous Receivables	45,345
Increase (decrease) in operating liabilities:	
Accounts Payable	(14,066)
Deferred Gala Income	78,000
Payroll Taxes Payable	(4)
Interest and dividends restricted for reinvestment	1,253
Net Cash Used In Operating Activities	<u>23,341</u>
Cash Flows from Investing Activities.	
Sales of investment securities	113,750
Purchases of investment securities	(40,030)
Reinvested sales proceeds and earnings	(32,088)
Community Foundation Endowment	(904)
Change in permanently restricted cash and cash equivalents	(1,253)
Disposal of Office Equipment	9,319
Acquisition of Office Equipment	(6,533)
Net Cash Provided By Investing Activities	<u>42,261</u>
Cash Flows From Financing Activities.	
Proceeds from Line of Credit	30,000
Principal Payments on Line of Credit	(81,400)
Net Cash Used In Financing Activities	<u>(51,400)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,202
Cash and Cash Equivalents at Beginning of Year	<u>44,550</u>
Cash and Cash Equivalents at End of Year	<u>\$ 58,752</u>
Supplemental Disclosure:	
Interest Paid In Cash During the Year	<u>\$ 1,992</u>

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

**100 BLACK MEN OF MIDDLE TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PURPOSES - The 100 Black Men of Middle Tennessee, Inc. (100BMMT) is a nonprofit corporation that was organized in the State of Tennessee on February 1, 1991. The Organization's mission is to nurture and enhance the growth, development and opportunities for young black males in Middle Tennessee with objectives to encourage value systems and to develop positive work ethics.

The Organization provides role models and sponsors activities through specific academic and social programs. The Organization's members volunteer their time as educational assistants, role models and mentors. Monthly weekend retreats include workshops in the areas of conflict through physical activities. Other volunteers are involved in the mentoring and tutorial programs, including male students from local universities in Middle Tennessee. Financial assistance is provided from the annual Gala and other fundraising events.

PROGRAM AND SUPPORTING SERVICES – The following program and supporting services are included in the accompanying financial statements:

100 KINGS - The Organization has created a seven-year leadership development program designed to help 100 5th-grade male youth to develop the knowledge, skills and confidence necessary to succeed in school and to succeed in life.

COLLEGIATE 100 – To accomplish its mission, the Organization solicits the support of community volunteers to assist with the implementation of its programmatic efforts.

YOUTH + EXCELLENCE = Success, YES – The program is designed to help students improve their academic performances and raise social values. The objective is accomplished through seminars, retreats, field trips, mentor/mentee relationships and other enriching activities.

100 BLACK MEN OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

PROJECT 007 – Project 007 is an initiative that includes the first twenty-two (22) students that enrolled in 100 Black Men programs. An agreement was signed between the parents, the Organization, Ross Elementary, and the Board of Education in 1991. The agreement stated that if the boys remained active participants in the Organization's activities, the Organization would provide financial support for each student's college education to any four-year college or university of their choice. The name 007 is synonymous with the year (2007) that these students are scheduled to graduate from college. At December 31, 2004, four (4) students are enrolled in the program.

100 SCHOLARS – The 100 Scholars Program is designed to prepare African-American males for the academic challenges of high school, college and beyond while also fostering friendly competition. African-American males enrolled in middle schools throughout Middle Tennessee will compete for 25 scholarships to be awarded over the two-year period 2003 and 2004. To qualify, students must maintain a cumulative grade point average of 3.0 and meet other program requirements.

MANAGEMENT AND GENERAL AND FUNDRAISING – Functions necessary to ensure an adequate working environment and costs not identifiable with a single program or activity. It also includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, fundraising, budgeting and related purposes.

ACCOUNTING - Financial statements are prepared in conformity with the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received," and No. 117, "Financial Statements of Not-for-Profit Organizations".

REVENUE RECOGNITION - Grants, contributions, membership dues and assessments, interest and dividend earnings, and other income are recognized as revenues in the accounting period that they become measurable and available to finance current expenditures. The financial statements of 100BMMT have been prepared on the accrual basis whereby revenues are recognized when earned and expenses are recognized when incurred.

100 BLACK MEN OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

INCOME TAXES – The Organization is classified as a public charity and is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes.

MEMBERSHIP DUES AND ASSESSMENTS – Local membership dues and assessments are established by the Board of Directors. Each member in good standing must pay an initiation fee of \$5,000. At the member's option, the initiation fee may be paid in quarterly installments of \$250 each over a period of five (5) years. Further, each member is assessed \$1,500 for a table at the annual Gala. The assessment is waived under the condition the member obtains an underwriter for the designated table.

PROPERTY AND EQUIPMENT – As of December 31, 2004, the Organization does not have a capitalization policy. Property and equipment with estimated useful lives of one year or more and acquired after January 1, 2003, have been capitalized and depreciated on the straight-line basis over a period of 3 to 5 years. Property and equipment acquired prior to January 1, 2003, is being depreciated using the double declining balance method over their estimated useful lives. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized.

DONATED GOODS AND SPECIALIZED SERVICES – Donated goods and specialized services are recorded as income when received. A substantial number of unpaid volunteers have contributed their time to the Organization's program and supporting services. The value of contributed time is not reflected in these statements if they are not specialized as defined in SFAS No. 116. The value of goods received is reflected in the financial statements at their fair market value. The value for contributed specialized time is recorded at the market rate generally charged to the public at large.

CASH AND CASH EQUIVALENTS – All highly liquid investments with original maturities of three months or less are considered cash equivalents, except for cash in brokerage money market accounts. The Organization's cash and cash equivalents consist of checking and savings accounts in a commercial bank.

100 BLACK MEN OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

USE OF ESTIMATES – The financial statements are prepared in conformity with generally accepted accounting principles. Management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Actual results could differ from those estimates. Among other things, estimates are used in accounting for allowances for uncollected dues and assessments, depreciation property and equipment, unrealized gains and losses, and the values of donated goods and services.

NOTE 2 - INVESTMENTS:

A summary of securities showing cost, current fair values, and unrealized gains (losses) as of December 31, 2004 follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities – Merrill Lynch	\$ 76,130	\$199,288	\$123,158
Equities – AmSouth Bank	111,814	120,891	9,077
Equities – Meriwether	9,000	9,000	-0-
Fixed Income – AmSouth Bank	71,189	77,605	6,416
Certificate of Deposit	100,000	100,000	-0-
Community Foundation Endowment	5,000	9,150	4,150
Cash-Mutual Fund–AmSouth Bank	6,558	6,558	-0-
Cash-Mutual Fund–UBS Financial	<u>715</u>	<u>715</u>	<u>-0-</u>
Totals	<u>\$380,406</u>	<u>\$523,207</u>	<u>\$142,801</u>

Equity securities and fixed income funds are valued at their quoted market prices at December 31, 2004. The Certificate of Deposit and cash in mutual funds are valued at cost. The fair value is also the carrying amount for financial statement reporting purposes. These funds represent board-designated amounts set aside in prior years for the purpose of providing an income stream for scholarships.

100 BLACK MEN OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 2 – INVESTMENTS (Continued):

Investment return is summarized as follows:

Interest Income – AmSouth Investment	\$ 1,436
Dividend Income – Merrill Lynch	4,733
Net realized and unrealized gains	46,057
Interest Income – Restricted CD	1,253
Dividend Income – Meriwether Stock	256
Brokerage Fees and Charges	<u>(5,997)</u>
 Total Investment Return	 <u>\$47,738</u>

NOTE 3 – PLEDGES RECEIVABLE:

Pledges receivable consist of commitments billed to corporate sponsors for their unpaid unrestricted support for general operations and/or restricted contributions to the 100 Kings Program. Management anticipates collecting 100% of the \$41,385 in pledges outstanding at December 31, 2004, in less than one year.

NOTE 4 – RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

Scholarships	\$ 68,358
Capital Equipment	483
100 Kings Program	<u>119,132</u>
 Total	 <u>\$187,973</u>

Permanently restricted net assets consisted of the following amount, with only the interest earnings available for use, and restricted for scholarships at December 31, 2004:

The R. H. Boyd Family Endowment Fund	<u>\$100,000</u>
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100 BLACK MEN OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 5 – PRIOR PERIOD ADJUSTMENTS:

A prior year period was made to the board designated unrestricted net asset account for an unrecorded \$5,000 investment made with the Community Foundation of Middle Tennessee in 1997. The market value of the investment was \$8,476 at December 31, 2003. Unrestricted net assets also include an adjustment to record a \$2,998 rent security deposit made in a prior year.

A reversal to unrestricted net assets in the amount of \$25,217 was made to adjust the confirmed line of credit with The Bank of Nashville at December 31, 2003. A check disbursement written on December 17, 2003, was not paid until January 6, 2004.

NOTE 6 - ADVERTISING COSTS – The Organization incurred advertising expense in the amount of \$7,169 during the fiscal year ended December 31, 2004. The expenses were incurred in conjunction with announcements of fundraising events and none of the cost was considered direct-response advertising costs.

NOTE 7 – FINANCIAL INSTRUMENTS:

A line of credit (LOC) with a maximum limit of \$100,000 has been secured from the Bank of Nashville. There is no outstanding principal balance at December 31, 2004; however, accrued interest in the amount of \$72 was recorded as an accounts payable.

NOTE 8 – FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and projects over activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs incurred have been allocated to programs and supporting services benefited.

100 BLACK MEN OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 9 – CONCENTRATION OF CREDIT RISK:

The Organization maintains a Restricted Endowment certificate of deposit, a restricted savings account, and the operating account at a local bank. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash accounts at this institution did not exceed federally insured limits. Interest earnings on the \$100,000 endowment account are credited to the restricted savings account when earned.

NOTE 10 - OPERATING LEASE COMMITMENTS:

The Organization is operating under a month-to-month sublease for its office facility with rents of \$2,398 per month. The facilities rent expense for 2004 was \$28,776. The Organization also leases certain equipment under monthly operating leases. Equipment rental expenses amounted to \$8,810 for 2004.

NOTE 11 – RELATED PARTY TRANSACTIONS:

The Organization subleases its office space from a company in which a member of 100BMMT has ownership. As discussed in Note 10, lease payments amounted to \$28,776 in 2004.

NOTE 12 – CONTRACT WITH BELMONT UNIVERSITY:

A Scholarship Agreement was executed effective June 30, 2004, with Belmont University for its endorsement and support of the 100 Black Men and the 100 Kings Program. As an inducement for students to apply to Belmont for their college education, the University intends to match the total scholarship amount given by the 100 Black Men to any qualified and eligible student. Under the terms of the agreement the Organization and the University may impose and amend the requirements and conditions for eligibility for scholarship assistance.