

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2008 AND 2007

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
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JUNE 30, 2008 AND 2007

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Boys and Girls Clubs of Middle Tennessee, Inc.  
Nashville, Tennessee

We have audited the accompanying statements of financial position of the Boys and Girls Clubs of Middle Tennessee, Inc. (the "Agency"), a Tennessee not-for-profit corporation, as of June 30, 2008 and 2007, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Agency'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 the Boys and Girls Clubs of Middle Tennessee, Inc. as of June 30, 2008 and 2007, 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.

Our audits were conducted for the purpose of forming an opinion on the above-mentioned financial statements taken as a whole. The accompanying additional information on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*KraftCPAs PLLC*

Nashville, Tennessee  
January 30, 2009

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 104,510	\$ 94,061
Grant and contract receivables	52,971	60,321
Contributions receivable - operating - Note 2	347,855	409,070
Prepaid expenses and deposits	50,853	29,993
Investments - Note 3	423,809	566,096
Property and equipment - net - Note 4	1,802,421	1,918,253
Capital campaign assets:		
Cash and cash equivalents	125,527	413,639
Contributions receivable - net - Note 2	679,848	371,601
Investments - Note 3	700,000	-
Membership rights - net - Note 12	262,500	292,500
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 11	16,761	17,430
TOTAL ASSETS	<u>\$ 4,567,055</u>	<u>\$ 4,172,964</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 178,201	\$ 91,703
Accrued expenses	23,763	30,469
Deferred revenue	19,629	51,942
Capital lease payable - Note 10	12,046	14,897
Obligation under line of credit - Note 5	414,564	274,601
Notes payable - Note 5	250,559	249,533
TOTAL LIABILITIES	<u>898,762</u>	<u>713,145</u>
COMMITMENTS - Notes 5 and 10		
<u>NET ASSETS</u>		
Unrestricted	1,366,553	1,833,204
Temporarily restricted - Note 6	1,867,412	1,268,412
Permanently restricted	434,328	358,203
TOTAL NET ASSETS	<u>3,668,293</u>	<u>3,459,819</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,567,055</u>	<u>\$ 4,172,964</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS
SUPPORT AND REVENUE				
Public Support:				
Individual gifts and contributions	\$ 1,014,945	\$ 1,035,855	\$ 76,125	\$ 2,126,925
Government grants and contracts	1,003,581	-	-	1,003,581
United Way grants, allocations and designations	2,732	120,526	-	123,258
Special events	438,573	70,270	-	508,843
Program service fees	264,604	-	-	264,604
Membership dues	26,488	-	-	26,488
Sales to members and public	1,461	-	-	1,461
Donated rent	25,200	-	-	25,200
Investment income (loss) - net - Note 3	(5,787)	-	-	(5,787)
Other	17,889	-	-	17,889
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 11	(669)	-	-	(669)
Loss on doubtful temporarily restricted contributions receivable	-	(44,095)	-	(44,095)
Net assets released resulting from satisfaction of donor restrictions	583,556	(583,556)	-	-
TOTAL SUPPORT AND REVENUE	3,372,573	599,000	76,125	4,047,698
EXPENSES				
Program Services:				
Comprehensive Youth Development	2,747,349	-	-	2,747,349
Supporting Services:				
Management and general	453,307	-	-	453,307
Fundraising	441,610	-	-	441,610
Fundraising - capital campaign	196,958	-	-	196,958
TOTAL EXPENSES	3,839,224	-	-	3,839,224
CHANGE IN NET ASSETS	(466,651)	599,000	76,125	208,474
NET ASSETS - BEGINNING OF YEAR	1,833,204	1,268,412	358,203	3,459,819
NET ASSETS - END OF YEAR	\$ 1,366,553	\$ 1,867,412	\$ 434,328	\$ 3,668,293

See accompanying notes to financial statements.

2007

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTALS</u>
\$ 1,240,576	\$ 1,067,583	\$ -	\$ 2,308,159
582,406	-	-	582,406
2,861	254,376	-	257,237
568,707	25,000	-	593,707
199,231	-	-	199,231
17,507	-	-	17,507
2,457	-	-	2,457
25,200	-	-	25,200
58,441	-	-	58,441
18,447	-	-	18,447
2,784	-	-	2,784
-	-	-	-
358,102	(358,102)	-	-
3,076,719	988,857	-	4,065,576
2,274,314	-	-	2,274,314
411,669	-	-	411,669
445,828	-	-	445,828
143,051	-	-	143,051
3,274,862	-	-	3,274,862
(198,143)	988,857	-	790,714
2,031,347	279,555	358,203	2,669,105
\$ 1,833,204	\$ 1,268,412	\$ 358,203	\$ 3,459,819

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 208,474	\$ 790,714
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	194,217	167,851
Realized and unrealized (gains) losses on investments	32,066	(47,894)
Change in value of beneficial interest in agency endowment fund	669	(2,784)
Restricted contributions for capital campaign	(849,950)	(984,101)
(Increase) decrease in:		
Grant and contract receivables	7,350	(18,769)
Contributions receivable - operating	61,215	(82,312)
Prepaid expenses	(20,860)	(11,234)
Increase (decrease) in:		
Accounts payable	86,498	24,867
Accrued expenses	(6,706)	3,399
Deferred revenue	(32,313)	51,942
NET ADJUSTMENTS	<u>(527,814)</u>	<u>(899,035)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(319,340)</u>	<u>(108,321)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(48,385)	(95,151)
Purchase of membership rights	-	(300,000)
Proceeds from sale of investments	442,768	327,590
Purchase of investments	<u>(1,032,547)</u>	<u>(315,109)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(638,164)</u>	<u>(382,670)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	26,000	-
Proceeds from line of credit, net of payments	139,963	274,601
Payments on notes payable	(24,974)	(18,459)
Payments on capital lease obligations	(2,851)	(1,340)
Capital campaign contributions collected	<u>541,703</u>	<u>612,500</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>679,841</u>	<u>867,302</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(277,663)</u>	<u>376,311</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>507,700</u>	<u>131,389</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 230,037</u>	<u>\$ 507,700</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Equipment acquired under capitalized leases	<u>\$ -</u>	<u>\$ 16,237</u>
ADDITIONAL CASH FLOW INFORMATION:		
Interest expense paid	<u>\$ 45,527</u>	<u>\$ 34,901</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008				
	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL
	COMPREHENSIVE YOUTH DEVELOPMENT	MANAGEMENT AND GENERAL	FUNDRAISING	CAPITAL CAMPAIGN	
Salaries	\$ 1,235,268	\$ 253,645	\$ 90,744	\$ 12,091	\$ 1,591,748
Employee taxes and fringe benefits	210,229	67,556	23,341	917	302,043
 TOTAL PAYROLL AND RELATED EXPENSES	 1,445,497	 321,201	 114,085	 13,008	 1,893,791
Awards and grants	199,012	-	-	-	199,012
Collaborative fees paid to the Preston Taylor YMCA Club	50,004	-	-	-	50,004
Conferences and meetings	8,191	4,612	1,763	-	14,566
Equipment purchases	4,563	1,359	67	-	5,989
Equipment rental and maintenance	22,727	1,386	1,556	-	25,669
Food program expense	182,341	-	-	-	182,341
Insurance	61,645	3,799	2,290	-	67,734
Interest expense	3,103	42,424	-	-	45,527
Licenses and permits	1,053	505	370	-	1,928
Maintenance supplies	18,752	113	76	-	18,941
Marketing	-	-	9,737	-	9,737
Membership dues	37,958	25	3,476	-	41,459
Miscellaneous	9,711	4,100	196	-	14,007
Postage	1,065	802	3,015	195	5,077
Printing and publications	1,110	531	5,139	-	6,780
Professional fees	27,421	11,081	79,524	169,980	288,006
Rent - donated	25,200	-	-	-	25,200
Repairs and maintenance	78,977	1,165	838	-	80,980
Special events	-	-	147,875	-	147,875
Supplies expense	80,790	17,385	13,206	-	111,381
Telephone	39,714	3,659	2,297	-	45,670
Travel and mileage	113,927	10,147	772	13,775	138,621
Utilities and occupancy costs	178,883	24,757	21,072	-	224,712
 TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	 2,591,644	 449,051	 407,354	 196,958	 3,645,007
Depreciation and amortization	155,705	4,256	34,256	-	194,217
 TOTAL FUNCTIONAL EXPENSES	 <u>\$ 2,747,349</u>	 <u>\$ 453,307</u>	 <u>\$ 441,610</u>	 <u>\$ 196,958</u>	 <u>\$ 3,839,224</u>

See accompanying notes to financial statements.



2007

PROGRAM SERVICES		SUPPORTING SERVICES		
COMPREHENSIVE YOUTH DEVELOPMENT	MANAGEMENT AND GENERAL	FUNDRAISING	CAPITAL CAMPAIGN	TOTAL
\$ 1,104,141	\$ 251,295	\$ 160,857	\$ -	\$ 1,516,293
189,783	42,361	31,683	-	263,827
1,293,924	293,656	192,540	-	1,780,120
16,519	-	28,181	-	44,700
50,097	-	-	-	50,097
20,748	2,013	1,730	644	25,135
9,749	1,030	290	-	11,069
24,288	1,072	1,072	-	26,432
130,727	-	-	-	130,727
60,454	6,293	2,513	-	69,260
4,152	30,749	-	-	34,901
950	63	-	-	1,013
14,297	80	76	-	14,453
-	-	-	-	-
24,123	2,771	2,283	-	29,177
11,450	3,541	41	-	15,032
930	1,043	3,429	-	5,402
3,968	125	1,898	-	5,991
12,171	26,340	400	131,080	169,991
25,200	-	-	-	25,200
88,318	899	721	-	89,938
545	-	163,493	-	164,038
73,214	10,153	9,391	42	92,800
42,629	2,650	3,792	-	49,071
56,820	2,244	2,981	11,285	73,330
157,238	22,673	19,223	-	199,134
2,122,511	407,395	434,054	143,051	3,107,011
151,803	4,274	11,774	-	167,851
\$ 2,274,314	\$ 411,669	\$ 445,828	\$ 143,051	\$ 3,274,862

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Boys and Girls Clubs of Middle Tennessee, Inc. (the "Agency") is a Boys & Girls Clubs of America affiliated organization providing services to at-risk children in the Middle Tennessee area. The Agency consists of seven Club facilities, including two school sites (one in partnership with Metro Nashville Public Schools and one in partnership with the YMCA of Middle Tennessee). The goal of the Agency is to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible and caring citizens. Founded in 1903, the Agency strives to improve each child's life by enhancing self-esteem and courage, and instilling positive values through educational programs.

Basis of presentation

The accompanying financial statements present the financial position and operations of the Agency on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Resources are classified as unrestricted, temporarily restricted and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations.

Contributions and support

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 considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and support (continued)

The Agency also receives grant revenue from state and local agencies. Grant revenues are recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant receivables relate primarily to grant money from the State Department of Human Services.

The Agency reports gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Promises to give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable 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 discount on those amounts is computed using the risk-free interest rate applicable to the year in which the promise is received (3.36% for 2008; 4.97% for 2007). Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible contributions is provided based on historical experience and management's estimates. Pledges determined to be uncollectible are charged off against the allowance in the period of determination. Increases in the allowance relating to temporarily restricted pledges are reported as a bad debt loss under support and revenue.

Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks and time deposits with original maturities when purchased of three months or less.

Cash and cash equivalents consist principally of checking and investment account balances, and are classified either as operating fund or capital campaign assets. Such amounts are combined for purposes of the statement of cash flows.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of money market accounts, certificates of deposit and fixed income and equity securities and are carried at the quoted market value of the securities on the last business day of the reporting period. Changes in unrealized gains and losses are recognized in the Statement of Activities for the year.

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Agency's investments have likely incurred a significant decline in market value since June 30, 2008.

Property and equipment

Property and equipment are reported at cost at the date of purchase, or at estimated fair value at date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of \$1,000 or more and an expected useful life greater than one year. Depreciable assets are depreciated by the straight-line method over their estimated useful lives. Estimated useful lives are five to ten years for furniture, equipment, vehicles, pool and building improvements, and forty years for buildings.

Membership rights

Purchased membership rights have been capitalized at acquisition cost and are being amortized by the straight-line method over the life of the agreement, which is ten years. Amortization expense is included in depreciation and amortization in the Statement of Functional Expenses.

Program and supporting services

The following program and supporting services are included in the accompanying financial statements:

Program services - include programs and services to promote and enhance the development of boys and girls. Some of the Agency's programs include:

- Character, Leadership, and Development - empowers youth to support and influence their Club and community, sustain meaningful relationships with others, develop a positive self-image, participate in the democratic process and respect their own and others' cultural identity.
- Education and Career Development - enables youth to become proficient in basic educational disciplines, apply learning to everyday situations and embrace technology to achieve success in a career.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services (continued)

Program services (continued)

- Health and Life Skills - develops young people's capacity to engage in positive behaviors that nurture their own well-being, set personal goals and live successfully as self-sufficient adults.
- The Arts - enables youth to develop their creativity and cultural awareness through knowledge and appreciation of the visual arts, crafts, performing arts and creative writing.
- Sports, Fitness, and Recreation - develops fitness, positive use of leisure time, skills for stress management, appreciation for the environment and social skills.

Supporting services

Management and general - includes the functions necessary to ensure an adequate working environment, Board operations, and community planning and networking activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Capital campaign - includes costs of activities relating to the Agency's capital campaign to fund the construction of new buildings at the Thompson Lane and Franklin locations, establishment of an endowment fund, and expansion into other neighborhoods.

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Income taxes

The Agency qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated absences

Compensated absences are accrued for vacation days earned by employees in a calendar year that will be paid in the future. Current policy allows carryover of vacation days that must be used within the first thirty days of the next calendar year.

Donated services and use of facilities

The Agency's policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor at the estimated fair value of the services received. The fair rental value of the donated use of facilities for four of the centers is included in revenues and expenses in the amount of \$25,200 for the years ended June 30, 2008 and 2007.

Use of estimates in the preparation of financial statements

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

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Temporarily restricted:		
Due in less than one year	\$ 528,302	\$ 502,270
Due in one to five years	<u>533,522</u>	<u>318,800</u>
	1,061,824	821,070
Less: discounts to net present value	(28,121)	(34,399)
Less: allowance for doubtful accounts	<u>(6,000)</u>	<u>(6,000)</u>
Net contributions receivable	<u>\$ 1,027,703</u>	<u>\$ 780,671</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 2 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

Contributions receivable are classified as follows at June 30:

	<u>2008</u>	<u>2007</u>
Operating	\$ 347,855	\$ 409,070
Capital campaign	<u>679,848</u>	<u>371,601</u>
	<u>\$ 1,027,703</u>	<u>\$ 780,671</u>

During the 2007 fiscal year, the Agency was notified that two separate \$1,000,000 donations to the Capital Campaign would be recommended by a donor to the Community Foundation of Middle Tennessee, Inc. (the "Foundation"), to be paid over a five-year period. The first \$400,000 of each of these gifts (\$200,000 in 2008 and \$200,000 in 2007) was approved by the Foundation and recognized as support by the Organization. The Foundation has final authority over these donor recommendations, which are advisory only and, accordingly, the balance of the donation will not be recognized until the period approved by the Foundation. Additionally, the Agency was notified of a \$500,000 pledge to the Capital Campaign subject to satisfaction of certain specified conditions. This donation has not been recognized as support as the conditions had not been satisfied as of June 30, 2008.

NOTE 3 - INVESTMENTS

Investments consisted of the following at June 30:

	<u>2008</u>		<u>2007</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Certificates of deposit	\$ 700,000	\$ 700,000	\$ -	\$ -
Short-term investments	18,072	18,072	14,696	14,696
Mortgage backed securities	-	-	15,710	16,136
Equity securities	284,394	274,537	403,244	336,940
U.S. Government obligations	-	-	79,697	81,927
Corporate bonds	<u>121,343</u>	<u>125,000</u>	<u>52,749</u>	<u>54,076</u>
	<u>\$ 1,123,809</u>	<u>\$ 1,117,609</u>	<u>\$ 566,096</u>	<u>\$ 503,775</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 3 - INVESTMENTS (CONTINUED)

Investments are classified as follows at June 30:

	<u>2008</u>		<u>2007</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Operating	\$ 423,809	\$ 417,609	\$ 566,096	\$ 503,775
Capital Campaign	<u>700,000</u>	<u>700,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,123,809</u>	<u>\$ 1,117,609</u>	<u>\$ 566,096</u>	<u>\$ 503,775</u>

Investment income consisted of the following for the years ended June 30:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 32,270	\$ 16,129
Realized gains (losses) - net	26,475	38,488
Unrealized gains (losses) - net	(58,541)	9,407
Investment fees	<u>(5,991)</u>	<u>(5,583)</u>
Investment income (loss) - net	<u>\$ (5,787)</u>	<u>\$ 58,441</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Land	\$ 26,530	\$ 26,530
Buildings and improvements	2,634,910	2,634,910
Vehicles	288,970	258,250
Pool	107,504	107,504
Software	10,748	10,748
Furniture and equipment	<u>456,994</u>	<u>439,328</u>
	3,525,656	3,477,270
Less accumulated depreciation	<u>(1,723,235)</u>	<u>(1,559,017)</u>
Net property and equipment	<u>\$ 1,802,421</u>	<u>\$ 1,918,253</u>

The Agency had fully depreciated assets with an original cost of approximately \$837,000 as of June 30, 2008 (\$770,500 in 2007).



BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 5 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Note payable to bank. Monthly principal payments of \$1,400 plus interest are due through February 2009 at the Bank's base commercial rate (5% at June 30, 2008; 8.25% at June 30, 2007). All accrued interest and remaining principal are due March 1, 2009; secured by the Agency's building.	\$ 188,853	\$ 205,200
Note payable to bank. Principal and interest payments of \$936 due monthly with remaining balance of principal and interest due February 2012. Interest is charged at 7.25%; secured by a vehicle.	36,132	44,333
Note payable to bank. Principal and interest payments of \$499 due monthly with remaining balance of principal and interest due May 2013. Interest is charged at 5.55%; secured by a vehicle.	<u>25,574</u>	<u>-</u>
	<u>\$ 250,559</u>	<u>\$ 249,533</u>

Annual future maturities of notes payable are as follows as of June 30, 2008:

Year Ending June 30,

2009	\$ 202,456
2010	14,535
2011	15,532
2012	12,883
2013	<u>5,153</u>
	<u>\$ 250,559</u>

The Agency has a \$500,000 line of credit agreement with a bank. Interest on the outstanding borrowings under the line is charged at the bank's base commercial rate (4% as of June 30, 2008) and is payable monthly. The line of credit, which had a balance outstanding of \$414,564 as of June 30, 2008, matures March 1, 2009.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Scholarship - Youth of the Year	\$ 6,481	\$ 12,957
Donations for capital campaign	1,543,371	884,101
United Way of Middle Tennessee:		
Designations	11,175	77,867
Outcome-based income funding grants:		
Youth Development	-	24,657
Project Learn	-	61,852
United Way of Williamson County	101,000	90,000
Baptist Healing Trust	-	71,897
Special event sponsorship	93,270	25,000
Restricted contributions for various programs	<u>112,115</u>	<u>20,081</u>
	<u>\$ 1,867,412</u>	<u>\$ 1,268,412</u>

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash and cash equivalents, various federal grants, accounts and United Way receivables. Contributions receivable consist of individual and corporate contribution pledges which are widely dispersed to mitigate credit risk. Grant and United Way receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources.

From time to time throughout the year, the Agency's bank balances with financial institutions exceeded the FDIC-insured limits. Excess uninsured balances approximated \$158,000 at June 30, 2008 (\$476,000 at June 30, 2007). Subsequent to year end, the Emergency Economic Stabilization Act of 2008 temporarily increased FDIC coverage from \$100,000 per depositor to \$250,000 per depositor, effective October 3, 2008 through December 31, 2009.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 7 - CONCENTRATIONS OF CREDIT RISK (CONTINUED)

The Agency maintains its money market funds and securities at one financial institution. Generally, they are not insured by the FDIC or any other governmental agency and are subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation (SIPC), a nonprofit membership corporation funded by its member securities broker dealers. SIPC covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms.

NOTE 8 - RELATED PARTY TRANSACTIONS

One of the Agency's board members is a senior officer with a financial institution which is the Agency's principal bank and lender.

NOTE 9 - EMPLOYEE BENEFIT PLAN

Substantially all of the Agency's employees are covered by a defined contribution pension plan known as the Boys & Girls Clubs of America Pension Trust. The Agency funds its share of pension expense for the year in quarterly contributions to the plan.

The plan provides for elective employer contributions. The Agency contributed five percent of eligible employees' annual compensation to the plan for the years ended June 30, 2008 and 2007. Employees become eligible to participate on the plan anniversary date if they are at least 21 years of age and have worked at least 1,000 hours in the immediately preceding twelve months. Employee benefits are fully vested after six years of service as a plan participant.

The Agency's total pension expense for the year ended June 30, 2008 was \$57,527 (\$47,226 in 2007).

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 10 - LEASES

On May 18, 2005, the Agency relocated its administrative offices and entered into: (1) a sublease agreement for the remaining lease term under the existing lease, which expired April 30, 2007; and (2) a new lease agreement, effective May 1, 2007, which runs through April 30, 2010.

In December 2006, the Agency entered into a sublease for a new club facility opened during the year. The agreement expired August 31, 2007, and was leased on a month-to-month basis through November 30, 2007. On December 1, 2007, the Agency entered into a new lease agreement for the facility that expires November 30, 2009.

In December 2006, the Agency entered into a lease for office equipment that expires December 2010.

A schedule of future minimum lease payments required under all noncancelable operating leases as of June 30, 2008, follows:

Year Ending June 30,

2009	\$ 63,891
2010	50,405
2011	<u>4,356</u>
	<u>\$ 118,652</u>

During 2007, the Agency entered into a capital lease for its telephone system that expires in 2012. Total payments made under the capital lease for the year ended June 30, 2008 amounted to \$3,974, including \$1,123 of imputed interest.

Future minimum payments required under the capital lease as of June 30, 2008, are:

Years Ending June 30:

2009	\$ 3,974
2010	3,974
2011	3,974
2012	<u>1,987</u>
Total minimum lease payments	13,909
Less: interest imputed at a rate of 8.25%	<u>(1,863)</u>
Present value of minimum lease payments	<u>\$ 12,046</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 11 - AGENCY ENDOWMENT FUND

The Agency has a beneficial interest in the Boys and Girls Clubs of Middle Tennessee's Agency Endowment Fund held by the Community Foundation of Middle Tennessee (the "Community Foundation"). Earnings on this fund are used to support the Agency. The Agency has granted variance power to the Community Foundation, and the Community Foundation has the ultimate authority and control over the fund and the income derived therefrom. The fund is charged a .4% administrative fee annually. Upon request by the Agency, income from the fund representing a 5% annual return may be distributed to the Agency or to another suggested beneficiary.

A schedule of changes in the Agency's beneficial interest in this fund for the years ended June 30, 2008 and 2007, follows:

	<u>2008</u>	<u>2007</u>
Balance - beginning of year	\$ 17,430	\$ 14,646
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	-	350
Investment income	(560)	2,541
Administrative expenses	<u>(109)</u>	<u>(107)</u>
	(669)	2,784
Distributions to the Agency	<u>-</u>	<u>-</u>
Balance - end of year	<u>\$ 16,761</u>	<u>\$ 17,430</u>

NOTE 12 - MEMBERSHIP RIGHTS

During 2007, the Agency entered into a membership purchase agreement with the Golf Club of Tennessee (the "Club") for membership rights at the Club. The Agency has held an annual fundraising golf tournament at the Club for each of the last 18 years and, as a condition of continuation, the Agency was required to become a member of the Club in 2007. The Agency received a restricted contribution to finance the \$300,000 membership, which would allow for 10 years of continued tournaments. In addition, the Agency received unlimited use of the Club's facilities for the cultivation and solicitation of donors. Specifically, the benefits include: 1) the right to host one annual charitable golf outing per year (ten total outings) for up to 120 players; 2) the ability to host up to five unaccompanied foursomes per year; 3) no guest fees for any guest playing in the Agency's foursome up to a maximum of three guests; 4) no other regular or capital dues; 5) no assessments; and 6) no annual fee for locker usage, golf bag storage, or range fees. The Agency has no equity or ownership or any other property interest in the Club. The Agency is amortizing the cost of the membership rights over the term of the agreement. For the years ended June 30, 2008 and 2007, the Agency reported amortization expense of \$30,000 and \$7,500, respectively.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*. FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file in a particular jurisdiction. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption. In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Agency has elected this deferral and, accordingly, will be required to adopt FIN 48 in its June 30, 2010 annual financial statements. Prior to adopting FIN 48, the Agency will continue to evaluate uncertain tax positions and related income tax contingencies under FASB Statement No. 5 *Accounting for Contingencies* (FAS-5). FAS-5 requires annual accrual for losses that are considered probable and can be reasonably estimated.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS-157). FAS-157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. FAS-157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under FAS-157, fair value measurements are disclosed by level within that hierarchy. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral for the implementation of FAS-157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Agency will adopt FAS-157 for the fiscal year beginning July 1, 2008, except for such nonfinancial assets and liabilities, for which delayed application is permitted until fiscal years beginning after November 15, 2008.

In February, 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (FAS-159), *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. The fair value option established by FAS-159 permits all entities to choose to measure eligible items at fair value at specified election dates. A reporting entity will report unrealized gains and losses on items for which the fair value option has been elected in operations at each subsequent reporting date. FAS-159 is effective for fiscal years beginning after November 15, 2007.

The Agency is currently evaluating the impact, if any, of the adoption of these pronouncements on the financial statements.

#### ADDITIONAL INFORMATION

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

	<u>NASHVILLE CLUBS</u>	<u>FRANKLIN CLUB</u>	<u>COMBINING ENTRIES</u>	<u>COMBINED</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 68,473	\$ 36,037	\$ -	\$ 104,510
Grant and contract receivables	52,971	-	-	52,971
Contributions receivable - operating	203,730	152,228	(8,103)	347,855
Prepaid expenses and deposits	47,354	3,499	-	50,853
Investments	423,809	-	-	423,809
Property and equipment - net	1,710,498	91,923	-	1,802,421
Capital campaign assets:				
Cash and cash equivalents	125,527	-	-	125,527
Contributions receivable - net	679,848	-	-	679,848
Investments	700,000	-	-	700,000
Membership rights - net	262,500	-	-	262,500
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	16,761	-	-	16,761
Due from Franklin Club	199,558	-	(199,558)	-
<b>TOTAL ASSETS</b>	<u>\$ 4,491,029</u>	<u>\$ 283,687</u>	<u>\$ (207,661)</u>	<u>\$ 4,567,055</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 186,304	\$ -	\$ (8,103)	\$ 178,201
Accrued expenses	23,763	-	-	23,763
Deferred revenue	19,629	-	-	19,629
Capital lease payable	12,046	-	-	12,046
Obligation under line of credit	414,564	-	-	414,564
Notes payable	188,853	61,706	-	250,559
Due to Nashville Clubs	-	199,558	(199,558)	-
<b>TOTAL LIABILITIES</b>	<u>845,159</u>	<u>261,264</u>	<u>(207,661)</u>	<u>898,762</u>
<u>NET ASSETS</u>				
Unrestricted	1,496,358	(129,805)	-	1,366,553
Temporarily restricted	1,715,184	152,228	-	1,867,412
Permanently restricted	434,328	-	-	434,328
<b>TOTAL NET ASSETS</b>	<u>3,645,870</u>	<u>22,423</u>	<u>-</u>	<u>3,668,293</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,491,029</u>	<u>\$ 283,687</u>	<u>\$ (207,661)</u>	<u>\$ 4,567,055</u>



BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>NASHVILLE CLUBS</u>	<u>FRANKLIN CLUB</u>	<u>COMBINING ENTRIES</u>	<u>COMBINED</u>
SUPPORT AND REVENUE				
Public Support:				
Individual gifts and contributions	\$ 2,087,061	\$ 39,864	\$ -	\$ 2,126,925
Government grants and contracts	937,035	132,629	(66,083)	1,003,581
United Way grants, allocations and designations	19,526	103,732	-	123,258
Special events	318,872	189,971	-	508,843
Program service fees	202,062	62,542	-	264,604
Membership dues	20,913	5,575	-	26,488
Sales to members and public	1,461	-	-	1,461
Donated rent	8,400	16,800	-	25,200
Investment income (loss) - net	(7,193)	1,406	-	(5,787)
Other	48,599	6,019	(36,729)	17,889
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	(669)	-	-	(669)
Loss on doubtful temporarily restricted contributions receivable	(44,095)	-	-	(44,095)
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,591,972</u>	<u>558,538</u>	<u>(102,812)</u>	<u>4,047,698</u>
EXPENSES				
Program Services:				
Comprehensive Youth Development	2,391,665	421,767	(66,083)	2,747,349
Supporting Services:				
Management and general	401,059	88,977	(36,729)	453,307
Fundraising	390,080	51,530	-	441,610
Fundraising - capital campaign	196,958	-	-	196,958
<b>TOTAL EXPENSES</b>	<u>3,379,762</u>	<u>562,274</u>	<u>(102,812)</u>	<u>3,839,224</u>
<b>CHANGE IN NET ASSETS</b>	<u>212,210</u>	<u>(3,736)</u>	<u>-</u>	<u>208,474</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>3,433,660</u>	<u>26,159</u>	<u>-</u>	<u>3,459,819</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,645,870</u>	<u>\$ 22,423</u>	<u>\$ -</u>	<u>\$ 3,668,293</u>