

STREET WORKS, INC.
(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

(Together with Independent Auditor's Report)

STREET WORKS, INC.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Street Works, Inc.
Nashville, Tennessee**

I have audited the accompanying statement of financial position of Street Works, Inc. (a Tennessee Corporation – Not For Profit) as of December 31, 2005 and the related statements of support, revenues and expenses and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 Street Works, Inc. as of December 31, 2005, and the results of its operations, cash flows and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'D. P. Guenther', with a stylized, sweeping flourish at the end.

June 1, 2006

DAVID P. GUENTHER

STREET WORKS, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS

Current Assets:

Cash in the bank	\$	39,145	
Grant funds receivable		<u>40,103</u>	
Total current assets			\$ 79,248

Property and Equipment:

Vehicles	\$	48,846	
Office equipment		<u>45,426</u>	
	\$	<u>94,272</u>	
Less: Accumulated depreciation		<u>(24,998)</u>	
Total property and equipment			<u>69,274</u>

Total assets			\$ <u><u>148,522</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	<u>5,383</u>	
Total current liabilities			\$ 5,383

Other Liabilities:

Loan from officer	\$	<u>6,193</u>	
Total other liabilities			6,193

Net Assets:

Unrestricted net assets	\$	<u>136,946</u>	
Total net assets			<u>136,946</u>
Total liabilities and net assets			\$ <u><u>148,522</u></u>

The accompanying notes to financial statements are an integral part of this statement.

STREET WORKS, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF SUPPORT, REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Support and Revenues:

Grant funds earned	\$ 367,530	
Donated use of facilities	33,000	
Donated fixed assets	7,000	
Contributions and other	<u>11,947</u>	
Total Support and Revenues		\$ 419,477

Expenses:

Program services	\$ 282,004	
Management and general	43,631	
Fundraising	<u>6,935</u>	
Total Expenses		<u>332,570</u>
Excess of support and revenues over expenses		\$ 86,907
Unrestricted net assets, December 31, 2004		<u>50,039</u>
Unrestricted net assets, December 31, 2005		<u><u>\$ 136,946</u></u>

The accompanying notes to financial statements are an integral part of this statement.

STREET WORKS, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	<u>TOTAL</u>
Bank charges	\$ -	\$ 46	\$ -	\$ 46
Client assistance	26,754	-	-	26,754
Conferences	9,943	-	-	9,943
Depreciation	11,666	503	-	12,169
Dues	375	-	-	375
Employee Benefits	4,333	228	-	4,561
Equipment expense	333	-	-	333
Insurance	5,546	-	-	5,546
Interest	-	6	-	6
Occupancy	33,267	900	-	34,167
Office expense	1,745	725	-	2,470
Payroll taxes	9,979	3,067	498	13,544
Postage	281	-	-	281
Printing & publications	3,969	-	-	3,969
Professional fees	4,085	1,597	-	5,682
Retirement plan contribution	1,415	177	177	1,769
Salaries and wages	144,879	34,652	6,260	185,791
Supplies	13,636	1,361	-	14,997
Telephone	9,036	369	-	9,405
Travel	762	-	-	762
Total expenses	\$ <u>282,004</u>	\$ <u>43,631</u>	\$ <u>6,935</u>	\$ <u>332,570</u>

The accompanying notes to financial statements are an integral part of this statement.

STREET WORKS, INC.
(A TENNESSEE CORPORATION, NOT FOR PROFIT)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005

Cash flows from operating activities:	
Change in net assets	\$ 86,907
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities	
Depreciation and amortization	12,169
Donated fixed assets	(7,000)
Decrease in grant funds receivable	2,541
Decrease in accounts payable	(4,679)
Decrease in accrued expenses	(2,308)
Net cash provided (used) by operating activities:	\$ <u>87,630</u>
Cash flows from investing activities:	
Purchase of equipment	\$ <u>(50,708)</u>
Net cash provided (used) by investing activities:	\$ <u>(50,708)</u>
Cash flows from financing activities:	
Advance on credit line	\$ 9,300
Repayment of credit line	(9,300)
Net cash provided (used) by financing activities:	\$ <u>-</u>
Net increase in cash	\$ 36,922
Cash, beginning of year	<u>2,223</u>
Cash, end of year	\$ <u><u>39,145</u></u>
Supplement disclosure of cash flow information:	
Cash paid during the year for interest	\$ <u><u>6</u></u>

The accompanying notes to financial statements are an integral part of this statement.

STREET WORKS, INC.
(A TENNESSEE CORPORATION-NOT-FOR-PROFIT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organizational Status

Street Works, Inc., (the organization) was incorporated in the State of Tennessee in April, 2000 as a not-for-profit corporation. The organization's mission is to address health disparities and substance use to hard to reach populations in communities of color, specially those infected or affected by HIV/AIDS through education, prevention, care and advocacy.

Financial Statement Presentations

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statement of Not-for-Profit Organizations." Under SFAS No. 117 Street Works, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, Street Works, Inc. presently has no temporarily or permanently restricted net assets.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Revenue Recognition

Street Works, Inc. recognizes contributions as revenue when the contributions are received. Grant funds are recognized as revenues when such funds are expended for their intended purpose. In addition, revenues have been deferred for grant funds received prior to the fiscal year end which apply to the subsequent year.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, Street Works, Inc. considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of five years. Donated fixed assets are valued at the fair market value of the assets at the date of donation.

Statement of Functional Expenses

The cost of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

Preparation of Street Works, Inc. 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

Street Works, Inc. is a Tennessee not-for-profit corporation which is not classified as a private foundation by the Internal Revenue Service and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Street Works, Inc. qualifies for the charitable contribution deduction.

(2) SIGNIFICANT FUNDING SOURCES:

The organization's programs are supported almost entirely by grants from various governmental entities. A major reduction of funding from any of these sources, should this occur and not be replaced by other sources, may have a significant effect on future operations.

(3) DONATED GOODS AND SERVICES:

The organization occupies office space in two locations provided at no charge by the Metropolitan Development and Housing Authority (MDHA) under an annually renewable lease. MDHA also provides all applicable utilities, except telephone, for the office space.

The value of the donated space has been calculated by management based upon the approximate fair rental values of similar office space in the area (\$2,750 per month total for both locations). These leases expire on September 30, 2006.

(4) LINE OF CREDIT:

The organization maintains a \$5,000 unsecured line of credit with SunTrust Bank, Nashville, Tennessee. The interest rate on this credit line was 8.00% at December 31, 2005. Maximum borrowing for the year under this credit line amounted to \$5,000.

(5) RETIREMENT PLAN:

The organization adopted a Simple IRA plan for all employees during the year. The organization will match 60% of all employee contributions up to a maximum of 5% of compensation. Total expense to the organization for the year was \$1,769.