



D. Kent Skinner, CPA

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Board of Directors
Love in a Big World, Inc.

I have audited the accompanying statement of financial position of Love in a Big World, Inc. (LIBW) 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 the organization'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 also 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 Love in a Big World, Inc. as of December 31, 2004 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

September 6, 2005

D. Kent Skinner

LOVE IN A BIG WORLD, INC.
STATEMENT OF FINANCIAL POSITION

December 31,
2004

Assets

Cash in Bank	\$ 13,310
Contract Receivable	2,174
Retail Inventory	8,966
Fixed Assets	
Office Equipment	6,368
Vehicle	19,514
Fixed Assets - cost	25,882
Less Accumulated Depreciation	14,244
Fixed Assets - net book value	11,638
Total Assets	\$ <u>36,088</u>

Liabilities

Accounts Payable	\$ 1,302
Payroll liabilities	3,303
Total Liabilities	<u>4,605</u>

Net Assets:

Unrestricted	29,309
Temporarily Restricted - Contracts	2,174
Total Net Assets	31,483
Total Liabilities & Net Assets	\$ <u>36,088</u>

14,278

See accompanying notes to the financial statements and Accountant's Report.

LOVE IN A BIG WORLD, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

	Unrestricted	Temporarily Restricted	All Funds
Revenues and Other Support			
Grants and Contracts	\$	\$ 78,274	\$ 78,274
Contributions	47,934		47,934
Program Service Revenues	18,743		18,743
Product Sales	6,037		6,037
Interest Income	6		6
Net assets released from restrictions	79,780	(79,780)	0
Total Support and Revenue	152,500	(1,506)	150,994
Expenses			
Wages and Payroll Taxes	44,683		44,683
Program & Product Development	28,148		28,148
Product & Shipping Costs	18,628		18,628
Program Expenses	8,966		8,966
Newsletters & Brochures	7,012		7,012
Professional Fees	5,947		5,947
Telephone - Program & Administrative	5,013		5,013
Depreciation	4,526		4,526
Office Supplies	3,990		3,990
Insurance	3,485		3,485
Contributions	3,051		3,051
Postage - Program & Administrative	2,970		2,970
Book purchases	2,946		2,946
Fundraiser	2,235		2,235
Teacher In-Service	2,070		2,070
Vehicle	1,693		1,693
Other Administration	14,791		14,791
Total Expenses	160,154	0	160,154
Excess (Deficit) Revenue over Expense	(7,654)	(1,506)	(9,160)
Net Assets-beg. of year	36,963	3,680	40,643
Net Assets-end of year	<u>\$ 29,309</u>	<u>\$ 2,174</u>	<u>\$ 31,483</u>

6948

See accompanying notes to the financial statements and Accountant's Report.

LOVE IN A BIG WORLD, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Unrestricted	Temporarily Restricted	Funds
Cash Flows from Operating Activities			
Excess (deficit) Revenue over Expen \$	(7,654)	(1,506)	(9,160)
Adjustments to reconcile Excess (deficit) to cash provided (used) by operations			
Depreciation	4,526		4,526
Decrease in Contract Receivable		1,506	1,506
Decrease in Retail Inventory	1,134		1,134
Increase in Payroll liabilities	1,657		1,657
Increase in Accounts Payable	1,302		1,302
Cash provided by Operations	965	0	965
Cash Used for Investing			
Purchase of office equipment	(1,011)		(1,011)
Cash Used for Investing	(1,011)	0	(1,011)
Decrease in cash	(46)	0	(46)
Cash Balance, Beginning of Period	13,356	0	13,356
Cash Balance, End of Period	<u>\$ 13,310</u>	<u>0</u>	<u>13,310</u>

See accompanying notes to the financial statements and Accountant's Report.

LOVE IN A BIG WORLD, INC.
STATEMENT OF FUNCTIONAL EXPENSES

<u>Year Ended December 31, 2004</u>	<u>Program</u>	<u>Fund Raising</u>	<u>Admini- stration</u>	<u>Total</u>
Wages & Payroll Taxes	26,025	9,329	9,329	44,683
Program & Product Development	28,148			28,148
Product & Shipping Costs	9,314	9,314		18,628
Program Expenses	8,966			8,966
Newsletters & Brochures	7,012			7,012
Professional Fees			5,947	5,947
Telephone - Program & Administrative	2,676		2,337	5,013
Depreciation			4,526	4,526
Office Supplies			3,990	3,990
Insurance	1,743		1,743	3,485
Contributions	3,051			3,051
Postage - Program & Administrative	2,817		153	2,970
Book purchases	2,946			2,946
Fundraiser		2,235		2,235
Teacher In-Service	2,070			2,070
Vehicle			1,693	1,693
Other Administration			14,791	14,791
 Total Expenses	 \$ <u>94,768</u>	 \$ <u>20,878</u>	 \$ <u>44,509</u>	 \$ <u>160,154</u>

See accompanying notes to the financial statements and Accountant's Report.
Page5

LOVE IN A BIG WORLD, INC.
Notes to Financial Statements
For the Year ended December 31, 2004

NOTE 1 - ORGANIZATION

Love in a Big World, Inc. (LIBW) was incorporated in 1996 for the purpose of bringing a message of hope and healing to children in grades K-8 and providing character education resources for families, schools and other organizations through utilization of the fine arts and media.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION - The financial statements of LIBW have been prepared on the accrual basis of fund accounting.

CONTRIBUTION REVENUE – Contributions are recognized as revenue in the period they are received. Grant revenues designated by the grantor for a specific purpose are classified as temporarily restricted revenues. LIBW does not accrue pledges because they do not represent legally enforceable unconditional promises to give funds.

PROPERTY AND EQUIPMENT – Property and equipment, carried at cost, is depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from 5 to 7 years.

INCOME TAXES – LIBW is exempt from income taxes under Section 501-c-3 of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

ESTIMATES – The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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 support, revenues, and expenses during the reported period. Actual results may differ from those estimates.

NOTE 3 - RISK

During the course of normal business operations the organization is exposed to various risks of loss from catastrophe occurrences. The organization has purchased third-party insurance to limit the risk of catastrophe loss.

LOVE IN A BIG WORLD, INC.
Notes to Financial Statements (Continued)
For the year ended December 31, 2004

NOTE 4 - LINE OF CREDIT

The organization has a \$15,000 demand, unsecured line of credit with SunTrust Bank. Interest only payments are required monthly at a rate of the lender's "prime rate" plus 1%. There were no amounts borrowed under the line at December 31, 2004.

NOTE 5 - CONCENTRATIONS

The organization received \$67,274, or 45%, of its total revenues from a contract with Vanderbilt University, which its funds from a Federal grant with the US Department of Education. The grant and LIBW's contract with Vanderbilt University covers the period August, 2003 through August, 2004 with two annual renewals, both of which have occurred.