

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2007 AND 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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 17 and 18 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 17, 2008

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 94,061	\$ 131,389
Grant and contract receivables	60,321	41,552
Contributions receivable - operating - Note 2	409,070	326,758
Prepaid expenses and deposits	29,993	18,759
Investments - Note 3	566,096	530,683
Property and equipment - net - Notes 4 and 5	1,918,253	1,967,216
Capital campaign assets:		
Cash and cash equivalents	413,639	-
Contributions receivable - net - Note 2	371,601	-
Membership rights - net - Note 12	292,500	-
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 11	<u>17,430</u>	<u>14,646</u>
TOTAL ASSETS	<u>\$ 4,172,964</u>	<u>\$ 3,031,003</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 91,703	\$ 66,836
Accrued expenses	30,469	27,070
Deferred revenue	51,942	-
Capital lease payable - Note 10	14,897	-
Obligation under line of credit - Note 5	274,601	-
Notes payable - Note 5	<u>249,533</u>	<u>267,992</u>
TOTAL LIABILITIES	<u>713,145</u>	<u>361,898</u>
COMMITMENTS - Notes 5 and 10		
NET ASSETS		
Unrestricted	1,833,204	2,031,347
Temporarily restricted - Note 6	1,268,412	279,555
Permanently restricted	<u>358,203</u>	<u>358,203</u>
TOTAL NET ASSETS	<u>3,459,819</u>	<u>2,669,105</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,172,964</u>	<u>\$ 3,031,003</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS
SUPPORT AND REVENUE				
Public Support:				
Individual gifts and contributions	\$ 1,240,576	\$ 1,067,583	\$ -	\$ 2,308,159
Government grants and contracts	582,406	-	-	582,406
United Way grants, allocations and designations	2,861	254,376	-	257,237
Special events	568,707	25,000	-	593,707
Program service fees	199,231	-	-	199,231
Membership dues	17,507	-	-	17,507
Sales to members and public	2,457	-	-	2,457
Donated rent	25,200	-	-	25,200
Investment income (loss) - net	58,441	-	-	58,441
Other	18,447	-	-	18,447
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - Note 11	2,784	-	-	2,784
Net assets released resulting from satisfaction of donor restrictions	358,102	(358,102)	-	-
TOTAL SUPPORT AND REVENUE	3,076,719	988,857	-	4,065,576
EXPENSES				
Program Services:				
Comprehensive Youth Development	2,274,314	-	-	2,274,314
Supporting Services:				
Management and general	411,669	-	-	411,669
Fundraising	445,828	-	-	445,828
Fundraising - capital campaign	143,051	-	-	143,051
TOTAL EXPENSES	3,274,862	-	-	3,274,862
CHANGE IN NET ASSETS	(198,143)	988,857	-	790,714
NET ASSETS - BEGINNING OF YEAR	2,031,347	279,555	358,203	2,669,105
NET ASSETS - END OF YEAR	\$ 1,833,204	\$ 1,268,412	\$ 358,203	\$ 3,459,819

See accompanying notes to financial statements.

2006

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTALS</u>
\$ 811,410	\$ 23,071	\$ -	\$ 834,481
700,411	-	-	700,411
9,151	229,474	-	238,625
559,359	-	-	559,359
193,693	-	-	193,693
15,023	-	-	15,023
3,057	-	-	3,057
25,200	-	-	25,200
(8,387)	-	-	(8,387)
13,072	-	-	13,072
1,470	-	-	1,470
<u>427,015</u>	<u>(427,015)</u>	<u>-</u>	<u>-</u>
<u>2,750,474</u>	<u>(174,470)</u>	<u>-</u>	<u>2,576,004</u>
2,259,101	-	-	2,259,101
423,394	-	-	423,394
425,778	-	-	425,778
<u>44,752</u>	<u>-</u>	<u>-</u>	<u>44,752</u>
<u>3,153,025</u>	<u>-</u>	<u>-</u>	<u>3,153,025</u>
(402,551)	(174,470)	-	(577,021)
<u>2,433,898</u>	<u>454,025</u>	<u>358,203</u>	<u>3,246,126</u>
<u>\$ 2,031,347</u>	<u>\$ 279,555</u>	<u>\$ 358,203</u>	<u>\$ 2,669,105</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 790,714	\$ (577,021)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	167,851	158,859
Realized and unrealized (gains) losses on investments	(47,894)	28,750
Change in value of beneficial interest in agency endowment fund	(2,784)	(1,470)
Restricted contributions for capital campaign	(984,101)	-
(Increase) decrease in:		
Grant and contract receivables	(18,769)	13,560
Contributions receivable - operating	(82,312)	94,968
Prepaid expenses	(11,234)	(8,086)
Increase (decrease) in:		
Accounts payable	24,867	(42,986)
Accrued expenses	3,399	3,715
Deferred revenue	51,942	-
NET ADJUSTMENTS	<u>(899,035)</u>	<u>247,310</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(108,321)</u>	<u>(329,711)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(95,151)	(69,841)
Purchase of membership rights	(300,000)	-
Proceeds from sale of investments	327,590	1,297,258
Purchase of investments	<u>(315,109)</u>	<u>(963,539)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(382,670)</u>	<u>263,878</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	47,000
Proceeds from line of credit	274,601	-
Payments on notes payable	(18,459)	(17,808)
Payments on capital lease obligations	(1,340)	-
Capital campaign contributions collected	<u>612,500</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>867,302</u>	<u>29,192</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	376,311	(36,641)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>131,389</u>	<u>168,030</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 507,700</u>	<u>\$ 131,389</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Equipment acquired under capitalized leases	<u>\$ 16,237</u>	<u>\$ -</u>
ADDITIONAL CASH FLOW INFORMATION:		
Interest expense paid	<u>\$ 34,901</u>	<u>\$ 29,787</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, 2007 AND 2006

	2007				
	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL
	COMPREHENSIVE YOUTH DEVELOPMENT	MANAGEMENT AND GENERAL	FUNDRAISING	CAPITAL CAMPAIGN	
Salaries	\$ 1,104,141	\$ 251,295	\$ 160,857	\$ -	\$ 1,516,293
Employee taxes and fringe benefits	<u>189,783</u>	<u>42,361</u>	<u>31,683</u>	<u>-</u>	<u>263,827</u>
 TOTAL PAYROLL AND RELATED EXPENSES	 1,293,924	 293,656	 192,540	 -	 1,780,120
 Awards and grants	 16,519	 -	 28,181	 -	 44,700
Bad debt expense	-	-	-	-	-
Collaborative fees paid to the Preston Taylor YMCA Club	50,097	-	-	-	50,097
Conferences and meetings	20,748	2,013	1,730	644	25,135
Equipment purchases	9,749	1,030	290	-	11,069
Equipment rental and maintenance	24,288	1,072	1,072	-	26,432
Food program expense	130,727	-	-	-	130,727
Insurance	60,454	6,293	2,513	-	69,260
Interest expense	4,152	30,749	-	-	34,901
Licenses and permits	950	63	-	-	1,013
Maintenance supplies	14,297	80	76	-	14,453
Marketing	-	-	-	-	-
Membership dues	24,123	2,771	2,283	-	29,177
Miscellaneous	11,450	3,541	41	-	15,032
Pass-through grant expense	-	-	-	-	-
Postage	930	1,043	3,429	-	5,402
Printing and publications	3,968	125	1,898	-	5,991
Professional fees	12,171	26,340	400	131,080	169,991
Rent - donated	25,200	-	-	-	25,200
Repairs and maintenance	88,318	899	721	-	89,938
Special events	545	-	163,493	-	164,038
Supplies expense	73,214	10,153	9,391	42	92,800
Telephone	42,629	2,650	3,792	-	49,071
Travel and mileage	56,820	2,244	2,981	11,285	73,330
Utilities and occupancy costs	<u>157,238</u>	<u>22,673</u>	<u>19,223</u>	<u>-</u>	<u>199,134</u>
 TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	 2,122,511	 407,395	 434,054	 143,051	 3,107,011
Depreciation and amortization	<u>151,803</u>	<u>4,274</u>	<u>11,774</u>	<u>-</u>	<u>167,851</u>
 TOTAL FUNCTIONAL EXPENSES	 <u>\$ 2,274,314</u>	 <u>\$ 411,669</u>	 <u>\$ 445,828</u>	 <u>\$ 143,051</u>	 <u>\$ 3,274,862</u>

See accompanying notes to financial statements.

2006

PROGRAM SERVICES		SUPPORTING SERVICES			
COMPREHENSIVE YOUTH DEVELOPMENT		MANAGEMENT AND GENERAL	FUNDRAISING	CAPITAL CAMPAIGN	TOTAL
\$	1,097,699	\$ 234,432	\$ 141,957	\$ -	\$ 1,474,088
	232,543	35,746	19,386	-	287,675
	1,330,242	270,178	161,343	-	1,761,763
	81,132	1,581	3,208	-	85,921
	-	31,439	-	-	31,439
					-
	51,286	-	-	-	51,286
	4,239	3,328	2,410	-	9,977
	4,830	262	205	-	5,297
	17,666	808	2,209	-	20,683
	125,953	-	-	-	125,953
	58,260	6,580	2,665	-	67,505
	-	29,787	-	-	29,787
	485	60	325	-	870
	26,449	77	65	-	26,591
	-	-	1,152	-	1,152
	22,937	19,595	6,435	-	48,967
	4,013	675	142	-	4,830
	2,198	1,240	-	-	3,438
	847	712	24,130	-	25,689
	1,887	430	2,217	-	4,534
	7,689	21,799	43	44,752	74,283
	25,200	-	-	-	25,200
	53,753	918	918	-	55,589
	571	-	180,795	-	181,366
	50,130	1,956	6,883	-	58,969
	42,474	2,920	3,392	-	48,786
	39,607	4,308	2,974	-	46,889
	159,444	19,216	18,742	-	197,402
	2,111,292	417,869	420,253	44,752	2,994,166
	147,809	5,525	5,525	-	158,859
\$	2,259,101	\$ 423,394	\$ 425,778	\$ 44,752	\$ 3,153,025

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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, one school site in partnership with the YMCA of Middle Tennessee, and one extension program. 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 financial statements of the Agency have been prepared on the accrual basis in accordance 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 in perpetuity 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. However, if a restriction is met in the same period in which the contribution is received, the support is reported as unrestricted.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

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 deferred initially and 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 (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.

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.

Investments

Investments consist of money market accounts and fixed income and equity securities and are carried at the quoted fair 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.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 functional expense allocations 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.
- 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.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services (continued)

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 a new building at the Thompson Lane location, 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.

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, 2007 and 2006.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassifications

Certain reclassifications have been made to prior year amounts in order to be comparative with the current year presentation.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30:

	<u>2007</u>	<u>2006</u>
Temporarily restricted:		
Due in less than one year	\$ 502,270	\$ 332,758
Due in one to five years	<u>318,800</u>	<u>-</u>
	821,070	332,758
Less: discounts to net present value	(34,399)	-
Less: allowance for doubtful accounts	<u>(6,000)</u>	<u>(6,000)</u>
Net contributions receivable	<u>\$ 780,671</u>	<u>\$ 326,758</u>

Contributions receivable are classified as follows at June 30:

	<u>2007</u>	<u>2006</u>
Operating	\$ 409,070	\$ 326,758
Capital campaign	<u>371,601</u>	<u>-</u>
	<u>\$ 780,671</u>	<u>\$ 326,758</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 2 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

During the 2007 fiscal year, the Agency was notified that two separate \$1,000,000 donations to the Capital Campaign will 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 \$200,000 of each of these gifts was approved by the Foundation and recognized as support by the Organization in 2007. 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, 2007.

NOTE 3 - INVESTMENTS

Investments consisted of the following at June 30:

	<u>2007</u>		<u>2006</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 14,696	\$ 14,696	\$ 22,884	\$ 22,884
Mortgage backed securities	15,710	16,136	18,024	18,610
Equity securities	403,244	336,940	335,052	276,475
U.S. Government obligations	79,697	81,927	95,733	98,935
Corporate bonds	52,749	54,076	58,990	61,232
	<u>\$ 566,096</u>	<u>\$ 503,775</u>	<u>\$ 530,683</u>	<u>\$ 478,136</u>

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

	<u>2007</u>	<u>2006</u>
Interest and dividend income	\$ 16,129	\$ 29,742
Realized gains (losses) - net	38,488	(13,022)
Unrealized gains (losses) - net	9,407	(15,728)
Investment fees	(5,583)	(10,171)
Gain (loss) on donated securities	-	792
Investment income (loss) - net	<u>\$ 58,441</u>	<u>\$ (8,387)</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2007</u>	<u>2006</u>
Land	\$ 26,530	\$ 26,530
Buildings and improvements	2,634,910	2,634,910
Vehicles	258,250	249,000
Pool	107,504	102,176
Software	10,748	-
Furniture and equipment	<u>439,328</u>	<u>609,742</u>
	3,477,270	3,622,358
Less accumulated depreciation	<u>(1,559,017)</u>	<u>(1,655,142)</u>
Net property and equipment	<u>\$ 1,918,253</u>	<u>\$ 1,967,216</u>

The Agency had fully depreciated assets with an original cost of approximately \$770,500 as of June 30, 2007 (\$985,000 in 2006).

NOTE 5 - DEBT

At June 30, 2007, the Agency owed \$205,200 on a \$250,000 installment note. The note requires monthly principal payments of \$1,400 through October 1, 2007, with all accrued interest and remaining unpaid principal due November 1, 2007. Interest on the loan is charged at the Bank's prime rate (8.25% as of June 30, 2007). The note is secured by a deed of trust on the Agency's building. The note was subsequently extended until February 1, 2008.

On June 30, 2007, the Agency's Franklin Club owed \$44,333 on a \$47,000 note payable. The note requires monthly interest payments, with the remaining principal and interest due February 9, 2012. Interest on the loan is charged at 7.25%. The note is secured by a vehicle.

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 prime rate (8.25% as of June 30, 2007) and is payable monthly. The line of credit, which had a balance outstanding of \$274,601 as of June 30, 2007, matured November 1, 2007, and was subsequently extended until February 1, 2008.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 5 - DEBT (CONTINUED)

Annual future maturities of debt are as follows as of June 30, 2007:

Year Ending June 30,

2008	\$ 488,089
2009	8,910
2010	9,577
2011	10,295
2012	<u>7,263</u>
	<u>\$ 524,134</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Scholarship - Youth of the Year	\$ 12,957	\$ 8,807
Donations for capital campaign	884,101	-
United Way of Middle Tennessee:		
Designations	77,867	54,873
Outcome-based income funding grants:		
Youth Development	24,657	26,180
Project Learn	61,852	68,421
United Way of Williamson County	90,000	80,000
Baptist Healing Trust	71,897	-
Special event sponsorship	25,000	-
Restricted contributions for various programs	<u>20,081</u>	<u>41,274</u>
	<u>\$ 1,268,412</u>	<u>\$ 279,555</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

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. Management considers this to be a normal business risk.

The Agency maintains its money market funds and securities at one financial institution. Balances are insured to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation (SIPC). Uninsured amounts approximated \$476,000 at June 30, 2007 (\$31,000 at June 30, 2006).

Contributions receivable represent concentrations of credit risk to the extent that they are receivable from concentrated sources. Contributions receivable from one donor amounted to 62% of total outstanding capital campaign contributions receivable as of June 30, 2007.

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. During the current year, the Agency contributed five percent of eligible employees' annual compensation to the plan (reduced from ten percent in 2006). Employees become eligible to participate on the plan anniversary date if they are at least 20 ½ 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, 2007 was \$47,226 (\$62,648 in 2006).

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

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.

The Agency also maintains a lease for another club facility for which the agreement expires June 2008.

A schedule of future minimum lease payments required under all noncancelable operating leases as of June 30, 2007, follows:

Year Ending June 30,

2008	\$ 77,867
2009	63,891
2010	50,405
2011	<u>4,356</u>
	<u>\$ 196,519</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, 2007 amounted to \$1,987, including \$647 of imputed interest.

Future minimum payments required under the capital lease as of June 30, 2007, are:

Years Ending June 30:

2008	\$ 3,974
2009	3,974
2010	3,974
2011	3,974
2012	<u>1,987</u>
Total minimum lease payments	17,883
Less: interest imputed at a rate of 8.25%	<u>(2,986)</u>
Present value of minimum lease payments	<u>\$ 14,897</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

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 year ended June 30, 2007 and 2006, follows:

	<u>2007</u>	<u>2006</u>
Balance - beginning of year	\$ 14,646	\$ 13,176
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	350	-
Investment income	2,541	1,562
Administrative expenses	<u>(107)</u>	<u>(92)</u>
	2,784	1,470
Distributions to the Agency	<u>-</u>	<u>-</u>
Balance - end of year	<u>\$ 17,430</u>	<u>\$ 14,646</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 would receive 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 year ended June 30, 2007, the Agency reported amortization expense of \$7,500.

ADDITIONAL INFORMATION

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2007

	<u>NASHVILLE CLUBS</u>	<u>FRANKLIN CLUB</u>	<u>COMBINING ENTRIES</u>	<u>COMBINED</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 37,111	\$ 56,950	\$ -	\$ 94,061
Grant and contract receivables	60,321	-	-	60,321
Contributions receivable - operating	294,070	115,000	-	409,070
Prepaid expenses and deposits	29,993	-	-	29,993
Investments	566,096	-	-	566,096
Property and equipment - net	1,830,342	87,911	-	1,918,253
Capital campaign assets:				
Cash and cash equivalents	413,639	-	-	413,639
Contributions receivable - net	371,601	-	-	371,601
Membership rights - net	292,500	-	-	292,500
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	17,430	-	-	17,430
Due from Franklin Club	184,723	-	(184,723)	-
	<u>4,097,826</u>	<u>259,861</u>	<u>(184,723)</u>	<u>4,172,964</u>
TOTAL ASSETS	\$ 4,097,826	\$ 259,861	\$ (184,723)	\$ 4,172,964
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 87,057	\$ 4,646	\$ -	\$ 91,703
Accrued expenses	30,469	-	-	30,469
Deferred revenue	51,942	-	-	51,942
Capital lease payable	14,897	-	-	14,897
Obligation under line of credit	274,601	-	-	274,601
Notes payable	205,200	44,333	-	249,533
Due to Nashville Clubs	-	184,723	(184,723)	-
	<u>664,166</u>	<u>233,702</u>	<u>(184,723)</u>	<u>713,145</u>
TOTAL LIABILITIES	664,166	233,702	(184,723)	713,145
<u>NET ASSETS</u>				
Unrestricted	1,922,045	(88,841)	-	1,833,204
Temporarily restricted	1,153,412	115,000	-	1,268,412
Permanently restricted	358,203	-	-	358,203
	<u>3,433,660</u>	<u>26,159</u>	<u>-</u>	<u>3,459,819</u>
TOTAL NET ASSETS	3,433,660	26,159	-	3,459,819
TOTAL LIABILITIES AND NET ASSETS	\$ 4,097,826	\$ 259,861	\$ (184,723)	\$ 4,172,964

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>NASHVILLE CLUBS</u>	<u>FRANKLIN CLUB</u>	<u>COMBINING ENTRIES</u>	<u>COMBINED</u>
SUPPORT AND REVENUE				
Public Support:				
Individual gifts and contributions	\$ 2,243,099	\$ 65,060	\$ -	\$ 2,308,159
Government grants and contracts	562,201	32,705	(12,500)	582,406
United Way grants, allocations and designations	164,375	92,862	-	257,237
Special events	371,423	222,284	-	593,707
Program service fees	164,799	34,432	-	199,231
Membership dues	12,300	5,207	-	17,507
Sales to members and public	2,457	-	-	2,457
Donated rent	25,200	-	-	25,200
Investment income (loss) - net	58,441	-	-	58,441
Other	53,394	1,782	(36,729)	18,447
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	<u>2,784</u>	<u>-</u>	<u>-</u>	<u>2,784</u>
TOTAL SUPPORT AND REVENUE	<u>3,660,473</u>	<u>454,332</u>	<u>(49,229)</u>	<u>4,065,576</u>
EXPENSES				
Program Services:				
Comprehensive Youth Development	1,941,246	354,750	(21,682)	2,274,314
Supporting Services:				
Management and general	396,719	42,497	(27,547)	411,669
Fundraising	357,374	88,454	-	445,828
Fundraising - capital campaign	<u>143,051</u>	<u>-</u>	<u>-</u>	<u>143,051</u>
TOTAL EXPENSES	<u>2,838,390</u>	<u>485,701</u>	<u>(49,229)</u>	<u>3,274,862</u>
CHANGE IN NET ASSETS	822,083	(31,369)	-	790,714
NET ASSETS - BEGINNING OF YEAR	<u>2,611,577</u>	<u>57,528</u>	<u>-</u>	<u>2,669,105</u>
NET ASSETS - END OF YEAR	<u>\$ 3,433,660</u>	<u>\$ 26,159</u>	<u>\$ -</u>	<u>\$ 3,459,819</u>