

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2007 and 2006

MAGDALENE, INC. AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Magdalene, Inc. and Subsidiary
Nashville, Tennessee

We have audited the accompanying consolidated statements of financial position of Magdalene, Inc. and Subsidiary (a nonprofit Organization) as of June 30, 2007 and 2006 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Magdalene, Inc. and Subsidiary as of June 30, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

November 19, 2007

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 225,179	\$ 64,648
Unconditional promises to give, current	193,303	161,446
Other current assets	<u>6,629</u>	<u>12,367</u>
Total current assets	425,111	238,461
Cash restricted for endowment	57,304	65,000
Unconditional promises to give	88,261	96,947
Construction in progress	203,458	-
Property and equipment, net	<u>802,279</u>	<u>839,392</u>
Total assets	<u><u>\$ 1,576,413</u></u>	<u><u>\$ 1,239,800</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 25,962	\$ 7,309
Notes payable, current	<u>151,845</u>	<u>61,867</u>
Total current liabilities	177,807	69,176
Notes payable, net of current portion	<u>56,324</u>	<u>-</u>
Total liabilities	<u>234,131</u>	<u>69,176</u>
Net assets:		
Unrestricted	940,015	829,780
Temporarily restricted	344,963	275,844
Permanently restricted	<u>57,304</u>	<u>65,000</u>
Total net assets	<u>1,342,282</u>	<u>1,170,624</u>
Total liabilities and net assets	<u><u>\$ 1,576,413</u></u>	<u><u>\$ 1,239,800</u></u>

See accompanying notes to financial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support:				
Contributions	\$ 470,792	\$ 166,968	\$ -	\$ 637,760
Thistle Farms product sales	162,828	-	-	162,828
Grants	29,101	63,399	-	92,500
In-kind	56,108	-	-	56,108
Other	30,829	-	-	30,829
Men's rehabilitation program	23,600	-	-	23,600
Net assets released from restrictions (transferred)	156,419	(148,723)	(7,696)	-
Total revenue and other support	<u>929,677</u>	<u>81,644</u>	<u>(7,696)</u>	<u>1,003,625</u>
Expenses:				
Program services:				
Women's sanctuary and rehabilitation	426,509	-	-	426,509
Thistle Farms	271,689	-	-	271,689
Total program services	<u>698,198</u>	<u>-</u>	<u>-</u>	<u>698,198</u>
Supporting services:				
Management and general	72,076	-	-	72,076
Fundraising	49,168	-	-	49,168
Total supporting services	<u>121,244</u>	<u>-</u>	<u>-</u>	<u>121,244</u>
Total expenses	<u>819,442</u>	<u>-</u>	<u>-</u>	<u>819,442</u>
Losses:				
Provision for loss on uncollectible contributions	-	12,525	-	12,525
Change in net assets	110,235	69,119	(7,696)	171,658
Net assets, beginning of year	829,780	275,844	65,000	1,170,624
Net assets, end of year	<u>\$ 940,015</u>	<u>\$ 344,963</u>	<u>\$ 57,304</u>	<u>\$ 1,342,282</u>

See accompanying notes to financial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Contributions	\$ 459,511	\$ 203,906	\$ -	\$ 663,417
Thistle Farms product sales	114,177	-	-	114,177
Men's rehabilitation program	25,256	-	-	25,256
Other	7,286	-	-	7,286
Net assets released from restrictions (transferred)	79,090	(69,090)	(10,000)	-
Total revenue and other support	685,320	134,816	(10,000)	810,136
Expenses:				
Program services:				
Women's sanctuary and rehabilitation	421,022	-	-	421,022
Thistle Farms	189,748	-	-	189,748
Total program services	610,770	-	-	610,770
Supporting services:				
Management and general	61,912	-	-	61,912
Fundraising	33,040	-	-	33,040
Total supporting services	94,952	-	-	94,952
Total expenses	705,722	-	-	705,722
Losses:				
Provision for loss on uncollectible contributions	-	67,466	-	67,466
Change in net assets	(20,402)	67,350	(10,000)	36,948
Net assets, beginning of year	850,182	208,494	75,000	1,133,676
Net assets, end of year	\$ 829,780	\$ 275,844	\$ 65,000	\$ 1,170,624

See accompanying notes to financial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2007

	Program Services			Supporting Services			
	Women's Sanctuary and Rehabilitation	Thistle Farms	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 121,308	\$ 132,304	\$ 253,612	\$ 31,425	\$ 32,545	\$ 63,970	\$ 317,582
Cost of sales - materials	-	43,270	43,270	-	-	-	43,270
Contract labor	42,907	-	42,907	-	-	-	42,907
Depreciation	37,113	-	37,113	-	-	-	37,113
Legal and professional	-	13,563	13,563	17,988	-	17,988	31,551
Utilities	27,398	2,602	30,000	-	-	-	30,000
Cost of sales - labor	-	28,846	28,846	-	-	-	28,846
Reimbursement - St. Augustine's	22,298	-	22,298	1,239	1,239	2,478	24,776
Payroll tax	8,240	10,579	18,819	1,404	2,210	3,614	22,433
Employee benefits	7,981	10,138	18,119	1,294	2,157	3,451	21,570
Medical	19,262	-	19,262	-	-	-	19,262
Individual Development Account	19,199	-	19,199	-	-	-	19,199
Insurance	14,698	-	14,698	-	-	-	14,698
Repairs and maintenance	13,726	833	14,559	-	-	-	14,559
Stipends	13,185	-	13,185	-	-	-	13,185
Outreach ministry	11,254	997	12,251	699	-	699	12,950
Miscellaneous	-	-	-	6,161	6,174	12,335	12,335
Other program expenses	10,021	1,943	11,964	-	-	-	11,964
Food and household supplies	11,522	-	11,522	-	-	-	11,522
Cost of sales - printing	-	11,081	11,081	-	-	-	11,081
Transportation	10,250	-	10,250	-	-	-	10,250
Building rent	10,200	-	10,200	-	-	-	10,200
Telephone	7,528	-	7,528	886	443	1,329	8,857
Printing and supplies	-	1,985	1,985	2,535	3,852	6,387	8,372
Community Foundation	-	-	-	7,806	-	7,806	7,806
Property taxes	5,851	-	5,851	-	-	-	5,851
Interest	5,785	-	5,785	-	-	-	5,785
Supplies	-	4,831	4,831	-	-	-	4,831
Advertising and promotion	-	3,841	3,841	-	-	-	3,841
Clothing and grooming	3,247	-	3,247	-	-	-	3,247
Travel	-	2,735	2,735	-	-	-	2,735
Crew house	2,440	-	2,440	-	-	-	2,440
Newsletter	1,096	-	1,096	639	548	1,187	2,283
Credit card fees	-	1,803	1,803	-	-	-	1,803
Meals and events	-	338	338	-	-	-	338
	<u>\$ 426,509</u>	<u>\$ 271,689</u>	<u>\$ 698,198</u>	<u>\$ 72,076</u>	<u>\$ 49,168</u>	<u>\$ 121,244</u>	<u>\$ 819,442</u>

See accompanying notes to financial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2006

	Program Services			Supporting Services			
	Women's Sanctuary and Rehabilitation	Thistle Farms	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 121,612	\$ 75,169	\$ 196,781	\$ 23,419	\$ 21,780	\$ 45,199	\$ 241,980
Contract labor	41,867	-	41,867	-	-	-	41,867
Cost of sales - labor	-	41,427	41,427	-	-	-	41,427
Depreciation	40,304	-	40,304	-	-	-	40,304
Cost of sales - materials	-	30,448	30,448	-	-	-	30,448
Utilities	28,396	1,880	30,276	-	-	-	30,276
Payroll tax	11,945	11,389	23,334	2,306	2,139	4,445	27,779
Reimbursement - St. Augustine's	21,605	-	21,605	1,200	1,200	2,400	24,005
Transportation	21,881	-	21,881	-	-	-	21,881
Outreach ministry	17,606	1,555	19,161	1,099	-	1,099	20,260
Employee benefits	8,365	7,976	16,341	1,615	1,498	3,113	19,454
Insurance	13,833	-	13,833	-	-	-	13,833
Stipends	12,053	-	12,053	-	-	-	12,053
Repairs and maintenance	11,495	-	11,495	-	-	-	11,495
Food and household supplies	11,489	-	11,489	-	-	-	11,489
Legal and professional	-	-	-	11,389	-	11,389	11,389
Telephone	9,439	-	9,439	1,111	555	1,666	11,105
Building rent	10,200	-	10,200	-	-	-	10,200
Community Foundation	-	-	-	10,000	-	10,000	10,000
Medical	8,634	-	8,634	-	-	-	8,634
Other program expenses	3,004	4,572	7,576	-	-	-	7,576
Miscellaneous	-	-	-	7,075	-	7,075	7,075
Meals and events	5,456	840	6,296	-	-	-	6,296
Cost of sales - printing	-	5,673	5,673	-	-	-	5,673
Interest	5,552	-	5,552	-	-	-	5,552
Individual Development Account	5,215	-	5,215	-	-	-	5,215
Printing and supplies	-	508	508	2,238	2,238	4,476	4,984
Clothing and grooming	4,619	-	4,619	-	-	-	4,619
Property taxes	4,250	-	4,250	-	-	-	4,250
Advertising and promotion	-	4,114	4,114	-	-	-	4,114
Fundraising	-	-	-	-	3,237	3,237	3,237
Supplies	-	1,909	1,909	-	-	-	1,909
Credit card fees	-	1,700	1,700	-	-	-	1,700
Newsletter	786	-	786	460	393	853	1,639
Education	1,416	-	1,416	-	-	-	1,416
Travel	-	588	588	-	-	-	588
	<u>\$ 421,022</u>	<u>\$ 189,748</u>	<u>\$ 610,770</u>	<u>\$ 61,912</u>	<u>\$ 33,040</u>	<u>\$ 94,952</u>	<u>\$ 705,722</u>

See accompanying notes to financial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Change in net assets	\$ 171,658	\$ 36,948
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,113	40,304
Provision for loss on uncollectible contributions	12,525	67,466
Transfer of permanently restricted endowment funds	7,696	10,000
In-kind contributions	(56,108)	-
Change in operating assets and liabilities:		
Unconditional promises to give	(35,696)	(117,365)
Other current assets	5,738	(8,774)
Accounts payable and accrued expenses	18,653	(144)
Net cash provided by operating activities	<u>161,579</u>	<u>28,435</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>-</u>	<u>(21,584)</u>
Net cash used by investing activities	<u>-</u>	<u>(21,584)</u>
Cash flows from financing activities:		
Proceeds from note payable	-	18,000
Principal payments on note payable	<u>(1,048)</u>	<u>(56,133)</u>
Net cash used in financing activities	<u>(1,048)</u>	<u>(38,133)</u>
Net increase (decrease) in cash and cash equivalents	160,531	(31,282)
Cash and cash equivalents, beginning of year	<u>64,648</u>	<u>95,930</u>
Cash and cash equivalents, end of year	<u>\$ 225,179</u>	<u>\$ 64,648</u>
Supplemental schedule of cash flow information:		
Interest paid	<u>\$ 5,785</u>	<u>\$ 5,552</u>
Supplemental schedule of non cash financing and investing activities:		
Construction in progress financed by notes payable	<u>\$ 147,350</u>	<u>\$ -</u>
Construction in progress from in-kind activities	<u>\$ 56,108</u>	<u>\$ -</u>

See accompanying notes to financial statements.

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Magdalene, Inc. and Subsidiary is a nonprofit corporation, organized in the state of Tennessee in 1993. Its mission is to provide sanctuary, therapeutic and education programs for women with a history of prostitution who are motivated to seek a healthy lifestyle in a secure and compassionate environment.

The Organization operates from facilities located in Nashville, Tennessee and attracts its participants and its support primarily from the Middle Tennessee area. The Organization is supported primarily by contributions from the general public, by fees for rehabilitation services provided for the men who are arrested for first offense soliciting in conjunction with the local court system, and by fundraising events.

The following program services are provided by the Organization:

Women's sanctuary and rehabilitation – A two-year residential community that provides housing and education for women with a criminal history of addiction and prostitution.

Thistle Farms – A program that requires all participants to assist in manufacturing and selling selected domestic home items, such as candles, skin and lip balms, bath salts, etc. under the brand name of Thistle Farms. The program assists the participants in acquiring and developing life skills needed to assimilate into the workplace at the completion of the program.

The Organization has established a wholly owned entity, Magdalene Homes, LLC, to construct residential housing for graduates of its program (see note 8).

Principles of Consolidation

The consolidated statements include the accounts and activities of Magdalene, Inc. and Magdalene Homes, LLC referred herein as the "Organization". All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and related short-term investments with original maturities of three months or less to be cash equivalents.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization uses the allowance method to determine uncollectible unconditional promises to give.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Income Taxes

Magdalene, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's estimate.

Use of Estimates

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 certain amounts and disclosures. Actual results could differ from those estimates.

Donated Goods and Services

Donated goods and services are recognized at the fair value of items received at the time of donation. Volunteer time is recognized to the extent such time is provided by individuals with specialized training and which would normally need to be purchased. The Organization also receives volunteer services from a number of individuals in carrying out its programs but not meeting the criteria for recognition in the financial statements.

Concentration of Credit Risk

The Organization maintains cash balances with banks and other financial institutions which at times may exceed federally insured limits. Credit risk is managed by maintaining all deposits in high quality financial institutions.

Reclassifications

Certain reclassifications have been made to 2006 balances in order to conform with the 2007 presentation.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Unconditional promises to give	\$ 329,320	\$ 319,149
Less: allowance for uncollectible contributions	(32,000)	(45,000)
Less: discount to net present value	<u>(15,756)</u>	<u>(15,756)</u>
Net unconditional promises to give	<u>\$ 281,564</u>	<u>\$ 258,393</u>

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE (Continued)

	<u>2007</u>	<u>2006</u>
Receivable in less than one year, net	\$ 193,303	\$ 161,446
Receivable in one to five years, net	<u>88,261</u>	<u>96,947</u>
	<u>\$ 281,564</u>	<u>\$ 258,393</u>

NOTE 3 – CONSTRUCTION IN PROGRESS

Construction in progress consists of renovation and construction efforts on three residences that will be used for the benefit of graduates of the Organization. Construction in progress totaled \$203,458 at June 30, 2007, including \$56,108 of in-kind activities.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, consists of the following:

	<u>2007</u>	<u>2006</u>
Land and buildings	\$ 889,498	\$ 889,498
Furniture, fixtures and equipment	21,337	21,337
Vehicle	20,247	20,247
Leasehold improvements	<u>10,236</u>	<u>10,236</u>
	941,318	941,318
Less: accumulated depreciation	<u>(139,039)</u>	<u>(101,926)</u>
	<u>\$ 802,279</u>	<u>\$ 839,392</u>

NOTE 5 – NOTES PAYABLE

During fiscal year 2007, the Organization refinanced its existing loan agreement. Under the terms of the new agreement, the Organization pays monthly principal and interest of \$731 (7.27%) through maturity in March 2017. Borrowings under this agreement are secured by a first deed of trust on certain property. Amounts outstanding under the loan totaled \$60,819 and \$61,867 at June 30, 2007 and 2006, respectively.

In addition, the Organization entered into two note agreements with a lender in connection with the construction of two residences for Magdalene Homes, LLC (see Note 9). The note agreements provide for interest at 5%. The maturity date is the earlier of January 2008 or sale of the houses. Amounts outstanding under each loan totaled \$73,675 at June 30, 2007.

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 5 – NOTES PAYABLE (Continued)

Scheduled maturities of the notes payable are as follows for the year ending June 30:

2008	\$ 151,845
2009	4,833
2010	5,196
2011	5,136
2012	6,006
Thereafter	<u>35,153</u>
	<u>\$ 208,169</u>

NOTE 6 – NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Unconditional promises to give due in future periods	\$ 281,564	\$ 258,393
Contributions restricted for dental care	-	2,451
Contributions restricted for Thistle Farms	<u>63,399</u>	<u>15,000</u>
	<u>\$ 344,963</u>	<u>\$ 275,844</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the operations of the Organization. Permanently restricted net assets totaled \$57,304 and \$65,000 at June 30, 2007 and 2006, respectively.

NOTE 7 – LEASES

In conjunction with its community outreach program, The Campus for Human Development (a nonprofit organization) ("Campus"), leases two homes in Nashville to the Organization, which uses these houses to provide safe residences for women in the program. Both houses are leased annually for one dollar (\$1) per year with the Organization paying all utilities. Insurance and minor repairs are paid for by the Campus as part of the lease agreement. Management has estimated the fair market rental value of the combined annual leases to be \$10,200 which has been recorded as rent expense and as contribution revenue.

Subsequent to June 30, 2007, Campus donated these properties to the Organization.

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 8 – RELATED PARTIES

The Executive Director is an Episcopalian priest who is assigned to Saint Augustine's Chapel ("the Chapel") on the campus of Vanderbilt University in Nashville, Tennessee, and receives no compensation from the Organization.

The Organization operates its administrative facilities from the Chapel, which donates the use of these facilities without cost, other than direct reimbursable expenses, as part of its community outreach program. Expenses reimbursed to the Chapel for program and administrative assistance were \$24,775 and \$24,005 for the years ended June 30, 2007 and 2006, respectively.

The Treasurer maintains the internal bookkeeping records of the Organization and was compensated \$5,780 and \$4,434 for these services in the years ended June 30, 2007 and 2006, respectively.

NOTE 9 – MAGDALENE HOMES, LLC

Magdalene Homes, LLC, was organized on April 1, 2004 as a Tennessee limited liability company and is owned 100% by Magdalene, Inc. As of June 30, 2007, Magdalene Homes, LLC had purchased two parcels of property in Nashville, Tennessee for the purpose of building residential homes for graduates of its program.

During the year ended June 30, 2007, construction activity began on the two parcels purchased. At June 30, 2007, \$147,350 was included in construction-in-progress. The Organization entered into note agreements to finance this construction (see Note 5).

NOTE 10 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE INVESTMENTS

The Community Foundation of Middle Tennessee, a separate unaffiliated nonprofit organization, maintains investments on behalf of the Organization. The Community Foundation has ultimate authority and control over the investments; accordingly, the net assets of the Organization do not include these investments. The Organization transferred permanently restricted endowment funds totaling \$7,696 and \$10,000 during the years ended June 30, 2007 and 2006, respectively.

The Organization does anticipate receiving periodic investment earnings on its pro-rata share of the Community Foundation's assets. The balance of the endowment fund held for the benefit of the Organization totaled approximately \$52,000 and \$40,000 at June 30, 2007 and 2006, respectively.