

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2005 AND 2004

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

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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, 2005 and 2004, and the related statements of activities, cash flows and functional expenses for the year 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, 2005 and 2004, 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 13 and 14 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
October 21, 2005

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 168,030	\$ 27,389
Grant and contract receivables	55,112	79,480
Contributions receivable - Note 2	421,726	423,420
Prepaid expenses	10,673	10,119
Investments - Note 3	893,152	906,521
Property and equipment - net - Notes 4 and 5	2,056,234	2,157,403
Other assets	<u>13,176</u>	<u>12,222</u>
 TOTAL ASSETS	 <u>\$ 3,618,103</u>	 <u>\$ 3,616,554</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 LIABILITIES		
Accounts payable	\$ 109,822	\$ 297,046
Accrued expenses	23,355	64,885
Obligation under line of credit - Note 5	-	244,212
Note payable - Note 5	<u>238,800</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>371,977</u>	 <u>606,143</u>
 COMMITMENTS - Notes 5 and 10		
 NET ASSETS		
Unrestricted:		
Undesignated	377,664	57,959
Designated for property and equipment	<u>2,056,234</u>	<u>2,157,403</u>
 Total unrestricted	 2,433,898	 2,215,362
 Temporarily restricted - Note 6	 454,025	 436,846
 Permanently restricted	 <u>358,203</u>	 <u>358,203</u>
 TOTAL NET ASSETS	 <u>3,246,126</u>	 <u>3,010,411</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,618,103</u>	 <u>\$ 3,616,554</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005			
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTALS</u>
SUPPORT AND REVENUE				
Public Support:				
Individual gifts and contributions	\$ 1,017,069	\$ 251,575	\$ -	\$ 1,268,644
Government grants and contracts	739,522	-	-	739,522
United Way grants, allocations and designations	12,752	201,024	-	213,776
Special events	499,865	-	-	499,865
Program service fees	148,475	-	-	148,475
Membership dues	17,827	-	-	17,827
Sales to members and public	2,400	-	-	2,400
Donated rent	26,700	-	-	26,700
Investment income	14,470	-	-	14,470
Other	22,683	-	-	22,683
Net assets released resulting from satisfaction of donor restrictions	<u>435,420</u>	<u>(435,420)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,937,183</u>	<u>17,179</u>	<u>-</u>	<u>2,954,362</u>
EXPENSES				
Program Services:				
Comprehensive Youth Development	1,890,202	-	-	1,890,202
Supporting Services:				
Management and general	439,129	-	-	439,129
Fundraising	<u>389,316</u>	<u>-</u>	<u>-</u>	<u>389,316</u>
TOTAL EXPENSES	<u>2,718,647</u>	<u>-</u>	<u>-</u>	<u>2,718,647</u>
CHANGE IN NET ASSETS	218,536	17,179	-	235,715
NET ASSETS - BEGINNING OF YEAR	<u>2,215,362</u>	<u>436,846</u>	<u>358,203</u>	<u>3,010,411</u>
NET ASSETS - END OF YEAR	<u>\$ 2,433,898</u>	<u>\$ 454,025</u>	<u>\$ 358,203</u>	<u>\$ 3,246,126</u>

See accompanying notes to financial statements.

2004

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTALS</u>
\$ 863,638	\$ 208,868	\$ -	\$ 1,072,506
766,289	-	-	766,289
118,667	231,052	-	349,719
249,003	-	-	249,003
164,597	-	-	164,597
15,762	-	-	15,762
15,512	-	-	15,512
32,700	-	-	32,700
61,385	-	-	61,385
20,554	-	-	20,554
<u>364,060</u>	<u>(364,060)</u>	<u>-</u>	<u>-</u>
<u>2,672,167</u>	<u>75,860</u>	<u>-</u>	<u>2,748,027</u>
2,366,153	-	-	2,366,153
287,777	-	-	287,777
<u>255,565</u>	<u>-</u>	<u>-</u>	<u>255,565</u>
<u>2,909,495</u>	<u>-</u>	<u>-</u>	<u>2,909,495</u>
(237,328)	75,860	-	(161,468)
<u>2,452,690</u>	<u>360,986</u>	<u>358,203</u>	<u>3,171,879</u>
<u>\$ 2,215,362</u>	<u>\$ 436,846</u>	<u>\$ 358,203</u>	<u>\$ 3,010,411</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 235,715	\$ (161,468)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	177,040	170,640
Realized and unrealized (gains) losses on investments	21,516	(44,806)
(Increase) decrease in:		
Grant and contract receivables	24,368	(63,365)
Contributions receivable	1,694	(62,434)
Prepaid expenses	(554)	883
Other assets	(954)	(12,222)
Increase (decrease) in:		
Accounts payable	(187,224)	126,509
Accrued expenses	(41,530)	24,487
NET ADJUSTMENTS	(5,644)	139,692
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	230,071	(21,776)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(75,871)	(5,112)
Proceeds on sale of investments	179,965	309,451
Purchase of investments	(188,112)	(278,404)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(84,018)	25,935
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on line of credit	-	(4,526)
Payments on notes payable	(5,412)	-
NET CASH USED IN FINANCING ACTIVITIES	(5,412)	(4,526)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	140,641	(367)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	27,389	27,756
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 168,030	\$ 27,389
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of line of credit to long-term obligation	\$ 244,212	\$ -

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005			
	PROGRAM SERVICES	SUPPORTING SERVICES		
	COMPREHENSIVE YOUTH	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	\$ 933,336	\$ 246,981	\$ 120,923	\$ 1,301,240
Employee taxes and fringe benefits	153,298	67,530	29,798	250,626
 TOTAL PAYROLL AND RELATED EXPENSES	 1,086,634	 314,511	 150,721	 1,551,866
 Awards and grants	 59,389	 1,518	 211	 61,118
Bad debt expense	-	14,390	-	14,390
Collaborative fees paid to the Preston Taylor YMCA Club	33,975	-	-	33,975
Conferences and meetings	3,884	4,180	4,441	12,505
Equipment purchases	2,704	347	767	3,818
Equipment rental and maintenance	10,993	424	776	12,193
Food program expense	154,721	-	-	154,721
Insurance	50,867	6,493	2,935	60,295
Interest expense	-	15,371	-	15,371
Licenses and permits	1,046	80	300	1,426
Maintenance supplies	14,926	134	67	15,127
Marketing	-	-	13,390	13,390
Membership dues	940	1,365	1,503	3,808
Miscellaneous	6,788	5,068	384	12,240
National dues	-	10,305	-	10,305
Postage	732	1,185	3,055	4,972
Printing and publications	1,789	243	3,467	5,499
Professional fees	1,146	38,654	-	39,800
Rent - donated	26,700	-	-	26,700
Repairs and maintenance	26,079	900	898	27,877
Special events	-	-	183,175	183,175
Supplies expense	56,463	8,749	6,369	71,581
Telephone	33,352	3,404	4,187	40,943
Travel and mileage	28,398	3,310	4,147	35,855
Utilities and occupancy costs	105,401	2,290	2,275	109,966
Vehicle repairs and maintenance	18,651	-	40	18,691
 TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	 1,725,578	 432,921	 383,108	 2,541,607
 Depreciation on furniture and equipment	 164,624	 6,208	 6,208	 177,040
 TOTAL FUNCTIONAL EXPENSES	 \$ 1,890,202	 \$ 439,129	 \$ 389,316	 \$ 2,718,647

See accompanying notes to financial statements.

2004

PROGRAM SERVICES		SUPPORTING SERVICES		
COMPREHENSIVE YOUTH		MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
\$	1,118,981	\$ 160,080	\$ 99,470	\$ 1,378,531
	<u>230,626</u>	<u>35,485</u>	<u>22,671</u>	<u>288,782</u>
	1,349,607	195,565	122,141	1,667,313
	10,297	-	414	10,711
	-	-	-	-
	51,816	-	-	51,816
	34,522	1,941	5,937	42,400
	7,535	285	-	7,820
	9,728	1,051	1,238	12,017
	277,492	-	-	277,492
	43,855	4,650	2,700	51,205
	-	11,165	-	11,165
	884	957	-	1,841
	10,145	310	140	10,595
	-	-	-	-
	1,516	920	1,915	4,351
	2,566	1,928	10,974	15,468
	5,940	3,209	600	9,749
	355	2,213	2,557	5,125
	4,954	900	12,133	17,987
	704	43,086	-	43,790
	32,700	-	-	32,700
	54,003	1,580	1,605	57,188
	-	-	78,398	78,398
	84,591	7,809	4,615	97,015
	46,790	2,160	2,704	51,654
	37,360	1,062	508	38,930
	101,558	778	778	103,114
	<u>39,011</u>	<u>-</u>	<u>-</u>	<u>39,011</u>
	2,207,929	281,569	249,357	2,738,855
	<u>158,224</u>	<u>6,208</u>	<u>6,208</u>	<u>170,640</u>
\$	<u>2,366,153</u>	\$ <u>287,777</u>	\$ <u>255,565</u>	\$ <u>2,909,495</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

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.

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.

Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue. Grant receivable is primarily grant money from the State Department of Human Services.

The Agency reports any gifts of equipment or materials as unrestricted support absent any explicit donor restrictions as to how the assets must be used. Gifts of long-lived assets, and/or support that is restricted to the acquisition of 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.

Cash equivalents

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

Property and equipment

Property and equipment are stated at acquisition cost, or at estimated fair value at date of gift, if donated. Depreciation is computed on the straight-line method over estimated useful lives of five to ten years for furniture, equipment, vehicles and building improvements, and forty years for buildings.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions receivable

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. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends.

Investments

Investments consist of money market accounts 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.

Program and supporting services

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

Program services - includes 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, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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 generally does not allow the carryover of unused vacation days.

Donated services

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 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 \$26,700 for the year ended June 30, 2005 (\$32,700 in 2004.)

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.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30:

	<u>2005</u>	<u>2004</u>
Contributions receivable	\$ 427,726	\$ 429,420
Less allowance for uncollectible contributions	<u>(6,000)</u>	<u>(6,000)</u>
	<u>\$ 421,726</u>	<u>\$ 423,420</u>

Contributions receivable are expected to be collected within one year.

NOTE 3 - INVESTMENTS

Investments consisted of the following at June 30:

	<u>2005</u>		<u>2004</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 10,724	\$ 10,724	\$ 8,745	\$ 8,745
Mortgage backed securities	6,942	6,690	9,091	8,592
Equity securities	495,234	408,175	514,378	408,037
U.S. Government obligations	380,252	361,278	383,470	361,278
Due to broker for security purchase	<u>-</u>	<u>-</u>	<u>(9,163)</u>	<u>(9,163)</u>
	<u>\$ 893,152</u>	<u>\$ 786,867</u>	<u>\$ 906,521</u>	<u>\$ 777,489</u>

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

	<u>2005</u>	<u>2004</u>
Interest and dividend income	\$ 35,986	\$ 16,579
Realized gains - net	1,870	23,574
Unrealized gains (losses) - net	<u>(23,386)</u>	<u>21,232</u>
	<u>\$ 14,470</u>	<u>\$ 61,385</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2005</u>	<u>2004</u>
Land	\$ 26,530	\$ 26,530
Buildings and improvements	2,634,910	2,579,077
Vehicles	202,000	202,000
Pool	102,176	102,176
Furniture and equipment	<u>586,971</u>	<u>566,933</u>
	3,552,587	3,476,716
Less accumulated depreciation	<u>(1,496,353)</u>	<u>(1,319,313)</u>
Net property and equipment	<u>\$ 2,056,234</u>	<u>\$ 2,157,403</u>

The Agency had fully depreciated assets with an original cost of approximately \$395,000 as of June 30, 2005 (\$314,000 in 2004).

NOTE 5 - DEBT

At June 30, 2004, the Agency owed \$244,212 under a \$250,000 unsecured line of credit with a financial institution. On November 3, 2004, the Agency converted this obligation to long-term debt, evidenced by a promissory note. The new installment note requires monthly principal payments of \$1,400 beginning December 1, 2004 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. The note is secured by a deed of trust on the Agency's building.

On November 3, 2004, the Agency also obtained a \$150,000 unsecured line of credit with the same financial institution. The line of credit matures January 9, 2006. Interest on the outstanding borrowings under the line is charged at the Bank's prime rate and is payable monthly. There was no balance outstanding under this line of credit at June 30, 2005.

Future maturities of long-term debt are as follows as of June 30, 2005:

Year Ending June 30,

2006	\$ 16,800
2007	16,800
2008	<u>205,200</u>
	<u>\$ 238,800</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2005</u>	<u>2004</u>
Scholarship - Youth of the Year	\$ 7,096	\$ 7,426
United Way of Middle Tennessee:		
Designations	27,859	26,601
Outcome-based income funding grants:		
Youth Development	27,531	34,272
Project Learn	67,634	90,179
United Way of Williamson County	78,000	80,000
Contributions receivable for Nashville clubs	213,064	198,368
Restricted contributions for various programs	<u>32,841</u>	<u>-</u>
	<u>\$ 454,025</u>	<u>\$ 436,846</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. Management considers this to be a normal business risk. At June 30, 2005, the cash balances per bank exceeded the \$100,000 FDIC insurance limit by approximately \$73,000.

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 \$393,000 at June 30, 2005.

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

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. This plan is qualified under the regulations of the Internal Revenue Service. The amount of pension expense for the year is funded by the Agency in quarterly contributions to the plan.

The plan provides for contributions equal to ten percent of eligible employees' annual compensation as of July 1, which is the anniversary date. 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.

Total pension expense for the year ended June 30, 2005 was \$66,270 (\$61,618 in 2004).

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 an existing lease, expiring April 30, 2007, and (2) a new lease agreement, effective May 1, 2007, which runs through April 30, 2010.

A schedule of future minimum lease payments required under all noncancelable operating leases as of June 30, 2005, follows:

Year Ending June 30,

2006	\$ 51,200
2007	49,664
2008	42,155
2009	43,179
2010	<u>36,693</u>
	<u>\$ 222,891</u>

ADDITIONAL INFORMATION

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2005

	<u>NASHVILLE CLUBS</u>	<u>FRANKLIN CLUB</u>	<u>COMBINING ENTRIES</u>	<u>COMBINED</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 111,087	\$ 56,943	\$ -	\$ 168,030
Grant and contract receivables	55,112	-	-	55,112
Contributions receivable	343,726	78,000	-	421,726
Prepaid expenses	10,673	-	-	10,673
Investments	893,152	-	-	893,152
Property and equipment - net	1,999,375	56,859	-	2,056,234
Due from Franklin Club	202,203	-	(202,203)	-
Other assets	13,176	-	-	13,176
TOTAL ASSETS	<u>\$ 3,628,504</u>	<u>\$ 191,802</u>	<u>\$ (202,203)</u>	<u>\$ 3,618,103</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 105,702	\$ 4,120	\$ -	\$ 109,822
Accrued expenses	18,547	4,808	-	23,355
Due to Nashville Clubs	-	202,203	(202,203)	-
Obligation under line of credit	238,800	-	-	238,800
TOTAL LIABILITIES	<u>363,049</u>	<u>211,131</u>	<u>(202,203)</u>	<u>371,977</u>
 <u>NET ASSETS (DEFICIT)</u>				
<u>Unrestricted:</u>				
Undesignated	531,852	(154,188)	-	377,664
Designated for property and equipment	1,999,375	56,859	-	2,056,234
Total unrestricted	<u>2,531,227</u>	<u>(97,329)</u>	<u>-</u>	<u>2,433,898</u>
Temporarily restricted	376,025	78,000	-	454,025
Permanently restricted	358,203	-	-	358,203
TOTAL NET ASSETS (DEFICIT)	<u>3,265,455</u>	<u>(19,329)</u>	<u>-</u>	<u>3,246,126</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,628,504</u>	<u>\$ 191,802</u>	<u>\$ (202,203)</u>	<u>\$ 3,618,103</u>

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

	<u>NASHVILLE CLUBS</u>	<u>FRANKLIN CLUB</u>	<u>COMBINED</u>
SUPPORT AND REVENUE			
Public Support:			
Individual gifts and contributions	\$ 1,251,490	\$ 17,154	1,268,644
Government grants and contracts	690,231	49,291	739,522
United Way grants, allocations and designations	133,585	80,191	213,776
Special events	394,129	105,736	499,865
Program service fees	127,024	21,451	148,475
Membership dues	15,187	2,640	17,827
Sales to members and public	2,275	125	2,400
Donated rent	26,700	-	26,700
Investment income	14,470	-	14,470
Professional fees	-	-	-
Other	<u>17,105</u>	<u>5,578</u>	<u>22,683</u>
TOTAL SUPPORT AND REVENUE	<u>2,672,196</u>	<u>282,166</u>	<u>2,954,362</u>
EXPENSES			
Program Services:			
Comprehensive Youth Development	1,627,878	262,324	1,890,202
Supporting Services:			
Management and general	375,791	63,338	439,129
Fundraising	<u>347,537</u>	<u>41,779</u>	<u>389,316</u>
TOTAL EXPENSES	<u>2,351,206</u>	<u>367,441</u>	<u>2,718,647</u>
CHANGE IN NET ASSETS	320,990	(85,275)	235,715
NET ASSETS - BEGINNING OF YEAR	<u>2,944,465</u>	<u>65,946</u>	<u>3,010,411</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 3,265,455</u>	<u>\$ (19,329)</u>	<u>\$ 3,246,126</u>