

THE JASON FOUNDATION, INC.
Financial Statements
December 31, 2005 and 2004

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Independent Auditors' Report

To the Board of Directors
The Jason Foundation, Inc.
Hendersonville, Tennessee

We have audited the accompanying statement of financial position of the Jason Foundation, Inc. (a nonprofit corporation) as of December 31, 2005 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. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Jason Foundation, Inc. as of December 31, 2004, were audited by other auditors whose report dated April 18, 2005, expressed an unqualified opinion on those statements.

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 audit provides 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 Jason Foundation, Inc. as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Parker, Parker & Associates

February 7, 2006

THE JASON FOUNDATION, INC.
 Statements of Financial Position
 December 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|-----------------------------------|-------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 349,486 | \$ 563,627 |
| Grants Receivable | 5,000 | 42,618 |
| Reimbursements Receivable | 35,773 | 28,565 |
| Prepaid Expenses | 9,140 | 2,611 |
| Total Current Assets | <u>399,399</u> | <u>637,421</u> |
| Fixed Assets | | |
| Furniture and Fixtures | 28,244 | 28,244 |
| Equipment | 94,362 | 82,825 |
| Vehicles | 15,544 | 15,544 |
| Accumulated Depreciation | (78,959) | (59,731) |
| Total Fixed Assets | <u>59,191</u> | <u>66,882</u> |
| Other Assets | | |
| Cash - Endowment | <u>1,029</u> | <u>1,035</u> |
| Total Assets | <u>\$ 459,619</u> | <u>\$ 705,338</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts Payable | \$ 15,151 | \$ 25,350 |
| Payroll and Payroll Taxes Payable | 4,282 | 13,017 |
| Total Current Liabilities | <u>19,433</u> | <u>38,367</u> |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | <u>422,878</u> | <u>408,447</u> |
| Total Unrestricted Net Assets | <u>422,878</u> | <u>408,447</u> |
| Temporarily Restricted | 16,279 | 257,489 |
| Permanently Restricted | <u>1,029</u> | <u>1,035</u> |
| Total Net Assets | <u>440,186</u> | <u>666,971</u> |
| Total Liabilities and Net Assets | <u>\$ 459,619</u> | <u>\$ 705,338</u> |

See independent auditors' report and notes to the financial statements.

THE JASON FOUNDATION, INC.
 Statements of Activities
 For the Years Ended December 31, 2005 and 2004

| | 2005 | | | | 2004 | | | |
|---|-------------------|------------------------|------------------------|-------------------|-------------------|------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Support and Revenues | | | | | | | | |
| Contributions | \$ 71,954 | \$ 79,603 | \$ - | \$ 151,557 | \$ 73,624 | \$ - | \$ - | \$ 73,624 |
| Grants | 77,864 | - | - | 77,864 | 38,810 | 143,969 | 2 | 182,781 |
| Gifts in Kind | 8,013,546 | - | - | 8,013,546 | 7,474,809 | - | - | 7,474,809 |
| Special Events | 105,345 | - | - | 105,345 | 126,897 | - | - | 126,897 |
| Reimbursements | 189,590 | - | - | 189,590 | 252,745 | - | - | 252,745 |
| Interest Income | 5,110 | - | 4 | 5,114 | 3,932 | - | - | 3,932 |
| Miscellaneous | 60 | - | - | 60 | 200 | - | - | 200 |
| | | | | | | | | |
| Total Assets Released from Restrictions | 320,823 | (320,813) | (10) | - | 147,881 | (147,881) | - | - |
| Total Support and Revenues | <u>8,784,292</u> | <u>(241,210)</u> | <u>(6)</u> | <u>8,543,076</u> | <u>8,118,898</u> | <u>(3,912)</u> | <u>2</u> | <u>8,114,988</u> |
| | | | | | | | | |
| Expenses | | | | | | | | |
| Program Expenses | | | | | | | | |
| Total Program Expenses | 8,564,139 | - | - | 8,564,139 | 8,036,059 | - | - | 8,036,059 |
| | | | | | | | | |
| Supporting Services | | | | | | | | |
| Management and General | 124,744 | - | - | 124,744 | 92,761 | - | - | 92,761 |
| Fundraising | 80,978 | - | - | 80,978 | 89,770 | - | - | 89,770 |
| Total Support Services | <u>205,722</u> | <u>-</u> | <u>-</u> | <u>205,722</u> | <u>182,531</u> | <u>-</u> | <u>-</u> | <u>182,531</u> |
| | | | | | | | | |
| Total Expenses | 8,769,861 | - | - | 8,769,861 | 8,218,590 | - | - | 8,218,590 |
| | | | | | | | | |
| Decrease in Net Assets | 14,431 | (241,210) | (6) | (226,785) | (99,692) | (3,912) | 2 | (103,602) |
| | | | | | | | | |
| Net Assets - Beginning of Year | 408,447 | 257,489 | 1,035 | 666,971 | 508,139 | 261,401 | 1,033 | 770,573 |
| | | | | | | | | |
| Net Assets - End of Year | <u>\$ 422,878</u> | <u>\$ 16,279</u> | <u>\$ 1,029</u> | <u>\$ 440,186</u> | <u>\$ 408,447</u> | <u>\$ 257,489</u> | <u>\$ 1,035</u> | <u>\$ 666,971</u> |

See independent auditors' report and notes to the financial statements.

THE JASON FOUNDATION, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Decrease in Net Assets | \$ (226,785) | \$ (103,602) |
| Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 19,228 | 14,030 |
| Decrease (Increase) in Accounts Receivable | 30,410 | (9,524) |
| Increase in Prepaid Expenses | (6,529) | (322) |
| (Decrease) Increase in Accounts Payable | (10,199) | 26,837 |
| Decrease in Payroll and Payroll Taxes Payable | (8,735) | (4,884) |
| Decrease in Deferred Revenues | - | (5,500) |
| Total Adjustments | <u>24,175</u> | <u>20,637</u> |
| Net Cash Provided by Operating Activities | <u>(202,610)</u> | <u>(82,965)</u> |
| Cash Flow from Investing Activities | | |
| Cash Payments for the Purchase of Property | <u>(11,537)</u> | <u>(48,217)</u> |
| Net Cash Used by Investing Activities | <u>(11,537)</u> | <u>(48,217)</u> |
| Net Increase in Cash | (214,147) | (131,182) |
| Cash and Restricted Cash - Beginning of Year | <u>564,662</u> | <u>695,844</u> |
| Cash and Restricted Cash - End of Year | <u>\$ 350,515</u> | <u>\$ 564,662</u> |

See independent auditors' report and notes to the financial statements.

THE JASON FOUNDATION, INC.
 Statements of Functional Expenses
 For the Years Ended December 31, 2005 and 2004

| | 2005 | | | | 2004 | | | |
|-----------------------------|---------------------|------------------------|----------------------|---------------------|--------------------|------------------------|----------------------|---------------------|
| | Program Expenses | Supporting Services | | Total Expenses | Program Expenses | Supporting Services | | Total Expenses |
| | | Management and General | Fundraising Expenses | | | Management and General | Fundraising Expenses | |
| Salaries | \$ 219,342 | \$ 78,336 | \$ 15,667 | \$ 313,345 | \$ 170,809 | \$ 61,003 | \$ 12,201 | \$ 244,013 |
| Payroll Taxes | 16,578 | 5,921 | 1,184 | 23,683 | 12,367 | 4,417 | 883 | 17,667 |
| Mileage Reimbursement | 2,204 | - | - | 2,204 | 8,186 | - | - | 8,186 |
| Retirement | 4,360 | 1,557 | 312 | 6,229 | 2,247 | 803 | 160 | 3,210 |
| Advertising | 2,560 | - | - | 2,560 | 2,349 | - | - | 2,349 |
| Bank Charges | - | 347 | - | 347 | - | 347 | - | 347 |
| Board of Directors Expenses | 562 | 2,249 | - | 2,811 | 470 | 1,880 | - | 2,350 |
| Conference & Seminars | 25,370 | - | - | 25,370 | 36,977 | - | - | 36,977 |
| Depreciation | 17,305 | 1,923 | - | 19,228 | 12,627 | 1,403 | - | 14,030 |
| Dues and Subscriptions | 184 | 61 | - | 245 | - | - | - | - |
| Insurance | 19,785 | 2,198 | - | 21,983 | 18,617 | 2,069 | - | 20,686 |
| Miscellaneous | 482 | 53 | - | 535 | 10,030 | 1,114 | - | 11,144 |
| Moving Expenses | - | - | - | - | 2,655 | 2,655 | - | 5,310 |
| Occupancy | 39,446 | 13,148 | - | 52,594 | 27,785 | 9,262 | - | 37,047 |
| Postage and Shipping | 3,650 | 406 | - | 4,056 | 6,999 | 778 | - | 7,777 |
| Printing and Publications | 69,211 | - | - | 69,211 | 114,380 | - | - | 114,380 |
| Professional Fees | 15,715 | 1,746 | - | 17,461 | 11,652 | 1,295 | - | 12,947 |
| Public Relations | - | 3,430 | - | 3,430 | - | - | - | - |
| Rental and Maintenance | - | 6,783 | - | 6,783 | - | - | - | - |
| Supplies | 10,671 | 1,186 | - | 11,857 | 18,635 | 2,071 | - | 20,706 |
| Taxes and Licenses | - | 2,452 | - | 2,452 | - | 1,529 | - | 1,529 |
| Telephone and Internet | 15,979 | 1,775 | - | 17,754 | 12,361 | 1,039 | - | 13,400 |
| Travel | 52,859 | - | - | 52,859 | 43,615 | - | - | 43,615 |
| Utilities | 3,520 | 1,173 | - | 4,693 | 3,290 | 1,096 | - | 4,386 |
| Web Page | - | - | - | - | 1,320 | - | - | 1,320 |
| Other Program Expenses | 45,988 | - | - | 45,988 | 50,494 | - | - | 50,494 |
| PSI/Ardent In-Kind | 7,024,352 | - | - | 7,024,352 | 6,494,194 | - | - | 6,494,194 |
| Other In-Kind | 974,016 | - | - | 974,016 | 974,000 | - | - | 974,000 |
| Special Events Expense | - | - | 63,815 | 63,815 | - | - | 76,526 | 76,526 |
| Total | \$ 8,564,139 | \$ 124,744 | \$ 80,978 | \$ 8,769,861 | \$8,036,059 | \$ 92,761 | \$ 89,770 | \$ 8,218,590 |

See auditors' report and notes to the financial statements.

THE JASON FOUNDATION, INC.
Notes to Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1. Summary of Significant Accounting Policies

A. Nature of Activities

The Jason Foundation, Inc. (the "Foundation") is a nonprofit corporation dedicated to providing education and support programs to aid in the prevention of teenage suicide.

B. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Financial Statement Presentation

The net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Foundation and/or the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that do not expire with the passage of time and cannot be removed or fulfilled by the Foundation's actions. Permanently restricted net assets must be maintained by the Foundation in perpetuity.

D. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes cash on hand, demand deposits, certificates of deposits, and investments with initial maturities of three months or less. As of December 31, 2005 and 2004 the Foundation had no investments.

F. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows unless the value not discounted is immaterial to the financial statements as a whole. Conditional promises to give are not included as support until the conditions are substantially met.

G. Fixed Assets

Fixed assets with a cost of \$1,000 or more and an estimated useful life of greater than one year are carried at cost if purchased or fair market value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which are all 5 years.

Contributed fixed assets are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

THE JASON FOUNDATION, INC.
Notes to Financial Statement - Continued
For the Years Ended December 31, 2005 and 2004

Note 1. **Summary of Significant Accounting Policies – Continued**

H. **Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Otherwise, when a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

I. **Contributed Services**

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Foundation receives contributed services for the Community Access Resource Line "CARL" Hotlines around the United States. These services have been recorded at their estimated values (Refer to Note 2). The Foundation also has several volunteers whose services do not meet the requirements for recognition in the financial statements and have not been recorded or reflected in the accompanying financial statements.

J. **Income Taxes**

The Foundation is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

K. **Functional Expenses**

Expenses are charged directly to program, management and general, or fundraising based on allocations prepared by management.

L. **Advertising Costs**

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2005 and 2004 were \$2,560 and 2,349.

M. **Reclassifications**

Certain reclassifications have been made to the 2004 financial statements to conform to 2005 presentation.

Note 2. **Affiliations**

The Foundation has various affiliation agreements with Psychiatric Solutions Inc., ("PSI") (formerly Ardent Health Services, Inc.), Parthenon Pavilion, Vanderbilt Hospital, Frontier Health and Lakeside Behavioral Health System to donate office space, supplies and employees to staff suicide hotlines at hospital facilities for the benefit of the Foundation. Each of these facilities is considered a satellite office of the Foundation. As such, each office would require cash expenditures by the Foundation if the services were not donated. The Foundation has recognized contributed services and supplies from satellite offices totaling \$8,013,546 and \$7,474,809 in 2005 and 2004.

In addition to the donations above, PSI as part of their affiliation agreement expiring June 30, 2006 donates \$10,000 per month to offset salary expenses and reimburses the Foundation for direct travel and training expenses. As of December 31, 2005 and 2004, PSI owed the Foundation \$35,773 and \$28,565 for unreimbursed expenses.

THE JASON FOUNDATION, INC.
Notes to Financial Statement - Continued
For the Years Ended December 31, 2005 and 2004

Note 3. Promises to Give and Grants Receivable

The Promises to Give, Grants and Accounts Receivable at December 31, 2005 and 2004 (due within one year) are as follows:

| | 2005 | 2004 |
|---------------------------------------|----------------|-----------------|
| Promises to Give - Various | \$ - | \$ - |
| Grants Receivable: | | |
| State of Tennessee | - | 37,868 |
| United Way | 5,000 | 4,750 |
| Less: Allowance for doubtful accounts | - | - |
| Total | \$5,000 | \$42,618 |

Note 4. Contributed Assets and Services

Donated assets and services are used in the ongoing operations of the Foundation. The value of donated assets and services included in the financial statements and the corresponding expenditure or asset capitalization for the year ended December 31, 2005 and 2004 are as follows:

| | Revenues | |
|------------------------------------|--------------|-------------|
| | 2005 | 2004 |
| Donated Satellite Offices (Note 2) | \$ 7,998,368 | \$7,468,194 |
| Donated Rent | 15,178 | 6,615 |
| Special Events | 35,128 | 48,459 |
| | \$ 8,048,674 | \$7,523,268 |

| | Expenses | |
|------------------|--------------|-------------|
| | 2005 | 2004 |
| Program Expenses | \$ 7,998,368 | \$7,468,194 |
| Occupancy | 15,178 | 6,615 |
| Special Events | 35,128 | 48,459 |
| | \$ 8,048,674 | \$7,523,268 |

Note 5. Concentrations of Risk

The Foundation has cash deposits in financial institutions in excess of the amount insured by the Federal Depository Insurance Corporation (FDIC) in the amount of \$16,668 and \$118,184 at December 31, 2005 and December 31, 2004, respectively. The Foundation relies on contributions and special events held in the State of Tennessee to fund operations. For the years ended December 31, 2005 and 2004 support from PSI totaled 85% and 83% of total revenue in 2005 and 2004 respectively.

Note 6. Operating Lease

The Foundation rents office space. The lease expires August 31, 2007 and has an indexed rate each September 1. The amount of rent paid by the Foundation is reduced by a donation from the landlord. For the years ending December 31, 2005 and 2004, the Foundation paid rent expense of \$37,416 and \$30,432 respectively. Future minimum lease payments are as follows:

| For the Year Ended | Minimum Lease Payments |
|--------------------------|------------------------------|
| 2006 | \$ 62,994 |
| 2007 | 50,784 |
| | \$ 113,778 |

THE JASON FOUNDATION, INC.
Notes to Financial Statement - Continued
For the Years Ended December 31, 2005 and 2004

Note 7. **Restricted Net Assets**

Board Restricted

Board restricted net assets consist of cash held in certificates of deposit with the AmSouth and Volunteer State Bank as directed by the Board of Directors for future operations.

Temporarily Restricted

Temporarily restricted net assets as of December 31, 2005 and 2004 include the following:

| | 2005 | 2004 |
|---|----------|-----------|
| United Way | \$ - | \$ 4,750 |
| State of Tennessee | - | 36,365 |
| Tennessee Vitamin Settlement | - | 182,093 |
| J. C. Davis Foundation | - | 3,002 |
| HCA Foundation | - | 15,000 |
| National Expansion Restricted to Arkansas | 16,279 | 16,279 |
| Total Temporarily Restricted | \$16,279 | \$252,739 |

Permanently Restricted

Permanently restricted net assets include contributions to The Jason Foundation Permanent Endowment established during 2001. The endowment, managed by a three-member advisory board, requires all funds to be held in a separate bank account. All income from the endowment funds will be retained until the endowment goal of \$15 million is achieved, at which time the endowment is to make quarterly distributions of 1.25% of principal to the Foundation.