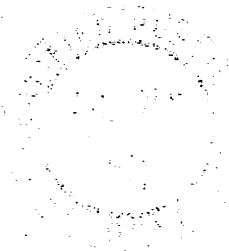


WILLIAMSON COUNTY YOUTH, INC.

FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

(With Independent Auditors' Report Thereon)



FARMER & ASSOCIATES, PLLC

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Independent Auditors' Report

To the Board of Directors
Williamson County Youth, Inc.

We have audited the accompanying comparative statement of financial position of Williamson County Youth, Inc. as of June 30, 2005 and 2004 and the related comparative statements of activities, functional expenses and cash flows for the years 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 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 presents fairly, in all material respects, the financial position of Williamson County Youth, 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.

Farmer & Associates, PLLC

November 29, 2005
Brentwood, Tennessee

WILLIAMSON COUNTY YOUTH, INC.

COMPARATIVE STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 73,477	\$ 91,030
Unconditional promises to give	55,000	55,878
Contracts receivables	24,408	9,770
Total Current Assets	<u>152,884</u>	<u>156,677</u>
PROPERTY AND EQUIPMENT		
Land	20,000	20,000
Building and improvements	143,428	110,151
Furniture and equipment	17,887	15,080
Vehicles	34,156	34,156
	<u>215,471</u>	<u>179,386</u>
Less accumulated depreciation	87,063	78,180
Total Property and Equipment	<u>128,408</u>	<u>101,206</u>
Total Assets	<u>\$ 281,292</u>	<u>\$ 257,883</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 19,136
Accounts payable	3,153	8,928
Accrued expenses	3,245	3,392
Total Current Liabilities	<u>6,397</u>	<u>31,456</u>
NET ASSETS		
Unrestricted	219,894	114,310
Temporarily restricted	55,000	112,118
Total Net Assets	<u>274,894</u>	<u>226,428</u>
Total Liabilities and Net Assets	<u>\$ 281,292</u>	<u>\$ 257,883</u>

See notes to financial statements.

WILLIAMSON COUNTY YOUTH, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Changes in unrestricted net assets:		
Support and revenue	\$ 153,440	\$ 129,457
Reimbursement contract	167,263	99,633
Contributions	6647	341
Interest and other	112,118	94,709
Net assets released from temporary restrictions	439,467	324,140
Total support and revenue		
Expenses:	177,588	176,978
Payroll and payroll taxes	9,064	10,320
Employee benefits	14,678	6,839
Insurance	6,573	6,902
Office supplies and expenses	4,957	4,735
Repairs and maintenance	10,471	11,254
Telephone and utilities	15,434	3,006
Food and supplies	9,612	5,549
Child expense	3,123	6,998
Vehicle expense	8,883	15,541
Depreciation	11,791	6,810
Professional fees	31,825	10,292
Benevolent distributions	24,750	41,226
Fundraising	1,958	205
Travel and milage	281	927
Interest	2,895	2,076
Miscellaneous	333,883	309,657
Total expenses	105,585	14,483
Increase in unrestricted net assets		
Changes in temporarily restricted net assets	55,000	118,183
Contributions	112,118	94,709
Net assets released from temporary restrictions	57,118	23,474
Increase in temporarily restricted net assets		
Total increase in net assets	48,467	37,957
Net assets, beginning of year	226,428	188,471
Net assets, end of year	\$ 274,894	\$ 226,428

See notes to financial statements.

WILLAMSON COUNTY YOUTH, INC.

COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSE

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005				2004			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Payroll and payroll taxes	\$ 131,415	35,518	10,655	177,588	\$ 131,110	35,223	10,645	176,978
Employee benefits	6,707	1,813	544	9,064	7,843	1,858	619	10,320
Insurance	10,882	2,936	881	14,678	5,130	1,368	342	6,839
Office supplies and expense	3,386	3,004	183	6,573	2,123	4,637	142	6,902
Repairs and maintenance	4,957	-	-	4,957	4,735	-	-	4,735
Telephone and utilities	7,748	2,094	628	10,471	9,365	1,530	360	11,254
Food and supplies	15,434	-	-	15,434	3,006	-	-	3,006
Child expense	9,612	-	-	9,612	5,549	-	-	5,549
Vehicle expense	3,123	-	-	3,123	6,998	-	-	6,998
Depreciation	8,883	-	-	8,883	11,501	-	-	11,501
Professional fees	-	11,791	-	11,791	-	3,108	932	4,154
Benefolent distributions	31,825	-	-	31,825	10,292	6,810	-	17,102
Fundraising	-	-	24,750	24,750	-	-	41,226	41,226
Interest	-	281	-	281	-	927	-	927
Travel and mileage	1,958	-	-	1,958	205	-	-	205
Miscellaneous	1,960	793	142	2,895	1,006	1,018	52	2,076
	\$ 237,870	58,229	37,783	\$ 333,883	\$ 198,862	56,477	54,317	\$ 309,657

See notes to financial statements.

WILLIAMSON COUNTY YOUTH, INC.
COMPARATIVE STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Cash Flows From Operating Activities	\$ 48,467	\$ 37,957
Increase in net assets		
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
In-kind (non-cash) contributions of fixed assets	(33,277)	15,541
Depreciation	8,883	(4,804)
(Increase) decrease in contract receivable	(14,638)	878
(Increase) decrease in unconditional promises to give	(5,775)	8,928
Increase (decrease) in accounts payable	(147)	(599)
Total adjustments	(44,077)	13,868
Net Cash Provided by Operating Activities	4,390	51,825
Cash Flows From Investing Activities	(2,807)	(17,655)
Acquisition of furniture and equipment	(2,807)	(17,655)
Net Cash Used by Investing Activities	(2,807)	(17,655)
Cash Flows From Financing Activities	(19,136)	(19,136)
Payments under line of credit arrangement	(19,136)	(19,136)
Net Cash Provided Used by Financing Activities	(19,136)	(19,136)
Increase (decrease) in cash	(17,553)	34,171
Cash, beginning of year	91,030	56,860
Cash, end of year	\$ 73,477	\$ 91,030
Supplemental disclosures:		
Cash paid for interest	\$ 281	-

See notes to financial statements.

WILLIAMSON COUNTY YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

1. ORGANIZATION AND NATURE OF BUSINESS

Williamson County Youth, Inc., a Tennessee not-for-profit corporation (the "Organization"), was organized to assist the youth of Williamson County, Tennessee by providing emergency shelter, food, clothing, counseling and other necessities. The Organization's primary source of revenue is a level one residential services contract with Wilson County Youth Ranch. Under the terms of the contract, the amount of funding received by the Organization is determined based on a daily cost rate per client served. Other sources of revenue include United Way allocations and donor contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Williamson County Youth, Inc. have been prepared on the accrual basis of accounting. The financial statements reflect unrestricted, temporarily restricted, and permanently restricted net assets and activities. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are reported as part of the unrestricted class. The Organization had no permanently restricted net assets at June 30, 2005 and 2004.

Use of Estimates

The preparation of 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.

Promises to Give

Unconditional promises to give are recognized as revenues in the period in which the promises are made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization recognized unconditional promises to give of \$55,000 and \$55,878 in 2005 and 2004, respectively. Promises to give are recorded at their net realizable value and are expected to be collected in less than one year.

Contracts Receivable

The Organization's management considers the contract receivable from Wilson County Youth Ranch to be fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary.

WILLIAMSON COUNTY YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are reported at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated principally using the straight-line method over their estimated useful lives ranging from five years for furniture and equipment and thirty-one to thirty-nine years for building property and additions.

Long-lived Assets

The Organization periodically reviews the values assigned to long-lived assets to determine if any impairments are other than temporary. Management believes that the long-lived assets in the accompanying statements of financial position are appropriately valued.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor stipulations that limit the use of the donated assets either on a temporary or permanent basis. When a donor 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. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Functional Expense Allocation

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Reclassifications

Certain amounts for the prior year presentation have been reclassified to conform to the current year's presentation.

WILLIAMSON COUNTY YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents:

The Organization considers all highly liquid investments and certificates of deposits with maturities of three months or less, to be cash equivalents.

3. TEMPORARY RESTRICTIONS ON NET ASSETS

Net assets temporarily restricted relate to United Way allocations receivable during the next fiscal year, contributions received for the purpose of making benevolent distributions to families in need of financial help, and contributions received for building repairs and maintenance. Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2005</u>	<u>2004</u>
For subsequent periods	\$ 55,000	\$ 55,878
Benevolent distributions	<u>-</u>	<u>56,240</u>
	<u>\$ 55,000</u>	<u>\$ 112,118</u>

4. LINE OF CREDIT

The Organization has a maximum \$50,000 line of credit arrangement with a bank, which matured in October 2004. Borrowings under the line bear interest at the bank's prime lending rate plus 1% and are secured by a deed of trust on certain real estate.

5. OPERATING LEASES

The Organization leased operating equipment commencing August 7, 2002 for a period of thirty-six months under a noncancelable-operating lease. Rent expense under this lease was \$1,710 and \$1,676 for 2005 and 2004 respectively.

Future minimum lease payments at June 30, 2005 under the lease are as follows:

Year Ending <u>June 30,</u>	
2006	<u>\$ 248</u>