MAGDALENE, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 and 2011

MAGDALENE, INC. AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2012 and 2011 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 9, during 2012 management reviewed the Organization's net asset classifications and determined that certain reclassifications were necessary to properly reflect the balances of permanently and temporarily restricted net assets as of June 30, 2010.

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, 2012 and 2011, 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

October 5, 2012

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MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 378,168	$ 320,874
Unconditional promises to give, current	130,905	101,926
Accounts receivable	14,256	22,610
Inventory	36,258	23,512
Other current assets	9,658	9,863
Total current assets	569,245	478,785
Cash restricted for endowment	57,304	57,304
Beneficial interest in assets at Community Foundation of Middle Tennessee	47,022	49,732
Unconditional promises to give, net	75,461	30,697
Third mortgages receivable	20,000	20,000
Property and equipment, net	1,935,299	1,999,751
Total assets	$ 2,704,331	$ 2,636,269
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 54,998	$ 51,877
Notes payable, current	13,583	6,006
Total current liabilities	68,581	57,883
Unearned revenue on third mortgages	20,000	20,000
Notes payable, net of current portion	38,005	34,948
Total liabilities	126,586	112,831
Net assets:		
Unrestricted	2,066,042	2,102,823
Temporarily restricted	411,703	320,615
Permanently restricted	100,000	100,000
Total net assets	2,577,745	2,523,438
Total liabilities and net assets	$ 2,704,331	$ 2,636,269

See accompanying notes to consolidated finanacial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Contributions	$ 408,380	$ 332,973	$ -	$ 741,353
Thistle Farms product sales	543,114	-	-	543,114
Grants	268,750	-	-	268,750
Men's rehabilitation program	86,400	-	-	86,400
Other	58,630	(2,710)	-	55,920
Net assets released from restrictions	239,175	(239,175)	-	-
Total revenue and other support	1,604,449	91,088	-	1,695,537
Expenses:				
Program services:				
Women's sanctuary and rehabilitation	496,089	-	-	496,089
Thistle Farms	958,007	-	-	958,007
Total program services	1,454,096	-	-	1,454,096
Supporting services:				
Management and general	116,869	-	-	116,869
Fundraising	70,265	-	-	70,265
Total supporting services	187,134	-	-	187,134
Total expenses	1,641,230	-	-	1,641,230
Change in net assets	(36,781)	91,088	-	54,307
Net assets, beginning of year	2,102,823	320,615	100,000	2,523,438
Net assets, end of year	$ 2,066,042	$ 411,703	$ 100,000	$ 2,577,745

See accompanying notes to consolidated finanacial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Contributions	$ 473,562	$ 45,049	$ -	$ 518,611
Thistle Farms product sales	376,563	-	-	376,563
Men's rehabilitation program	275,000	-	-	275,000
Grants	68,650	-	-	68,650
Other	7,218	6,847	-	14,065
Net assets released from restrictions	298,066	(298,066)	-	-
Total revenue and other support	1,499,059	(246,170)	-	1,252,889
Expenses:				
Program services:				
Women's sanctuary and rehabilitation	474,879	-	-	474,879
Thistle Farms	825,075	-	-	825,075
Total program services	1,299,954	-	-	1,299,954
Supporting services:				
Management and general	104,832	-	-	104,832
Fundraising	62,760	-	-	62,760
Total supporting services	167,592	-	-	167,592
Total expenses	1,467,546	-	-	1,467,546
Change in net assets	31,513	(246,170)	-	(214,657)
Net assets, beginning of year, as reclassified	2,071,310	566,785	100,000	2,738,095
Net assets, end of year	$ 2,102,823	$ 320,615	$ 100,000	$2,523,438

See accompanying notes to consolidated finanacial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

	Program Services			Supporting Services			
	Women's Sanctuary and Rehabilitation	**Thistle Farms**	**Total Program Services**	**Management and General**	**Fundraising**	**Total Supporting Services**	**Total Expenses**
Salaries	$ 222,539	$ 398,012	$ 620,551	$ 54,448	$ 32,449	$ 86,897	$ 707,448
Cost of sales - materials	-	153,937	153,937	-	-	-	153,937
Cost of sales - labor	-	108,904	108,904	-	-	-	108,904
Depreciation	52,360	30,402	82,762	9,149	8,746	17,895	100,657
Legal and professional	-	39,214	39,214	36,242	-	36,242	75,456
Payroll tax and benefits	18,252	38,932	57,184	8,485	2,508	10,993	68,177
Utilities	28,357	21,625	49,982	1,668	3,336	5,004	54,986
Miscellaneous	6,043	30,863	36,906	1,230	8,988	10,218	47,124
Insurance	18,391	17,710	36,101	1,082	2,164	3,246	39,347
Cost of sales - printing	-	30,381	30,381	-	-	-	30,381
Repairs and maintenance	16,315	12,876	29,191	-	-	-	29,191
Medical	29,181	-	29,181	-	-	-	29,181
Transportation	12,199	13,918	26,117	-	-	-	26,117
Other program expenses	7,931	16,101	24,032	-	-	-	24,032
Supplies	-	21,412	21,412	-	-	-	21,412
Education	12,483	6,487	18,970	-	-	-	18,970
Mental health	17,608	-	17,608	-	-	-	17,608
Advertising and promotion	-	15,676	15,676	-	-	-	15,676
Stipends	13,455	-	13,455	-	-	-	13,455
Clothing and grooming	12,850	-	12,850	-	-	-	12,850
Newsletter	5,068	-	5,068	2,957	2,534	5,491	10,559
Printing and supplies	3,552	-	3,552	1,043	4,581	5,624	9,176
Contract labor	6,986	-	6,986	-	-	-	6,986
Telephone	4,803	-	4,803	565	283	848	5,651
Food and household supplies	4,894	-	4,894	-	-	-	4,894
Donor management	-	-	-	-	4,676	4,676	4,676
Interest	2,822	1,557	4,379	-	-	-	4,379
	$ 496,089	$ 958,007	$ 1,454,096	$ 116,869	$ 70,265	$ 187,134	$ 1,641,230

See accompanying notes to consolidated financial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

	Program Services			Supporting Services			
	Women's Sanctuary and Rehabilitation	Thistle Farms	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 208,671	$ 304,078	$ 512,749	$ 37,652	$ 30,225	$ 67,877	$ 580,626
Cost of sales - labor	-	134,361	134,361	-	-	-	134,361
Cost of sales - materials	-	96,674	96,674	-	-	-	96,674
Depreciation	49,950	27,797	77,747	8,978	8,510	17,488	95,235
Legal and professional	-	39,214	39,214	18,622	-	18,622	57,836
Utilities	35,551	16,300	51,851	-	-	-	51,851
Miscellaneous	976	38,324	39,300	733	9,977	10,710	50,010
Payroll tax and benefits	18,602	21,649	40,251	5,536	3,277	8,813	49,064
Insurance	19,684	21,660	41,344	-	-	-	41,344
Repairs and maintenance	22,769	16,474	39,243	-	-	-	39,243
Bad debt expense	-	-	-	28,960	-	28,960	28,960
Medical	27,927	-	27,927	-	-	-	27,927
Supplies	-	26,451	26,451	-	-	-	26,451
Other program expenses	3,858	21,990	25,848	20	-	20	25,868
Transportation	9,485	16,228	25,713	-	-	-	25,713
Advertising and promotion	-	23,179	23,179	-	-	-	23,179
Mental health	22,507	-	22,507	-	-	-	22,507
Cost of sales - printing	-	20,696	20,696	-	-	-	20,696
Stipends	16,519	-	16,519	-	-	-	16,519
Newsletter	4,435	-	4,435	2,587	2,217	4,804	9,239
Clothing and grooming	8,440	-	8,440	-	-	-	8,440
Printing and supplies	3,863	-	3,863	1,127	3,425	4,552	8,415
Contract labor	6,944	-	6,944	-	-	-	6,944
Food and household supplies	6,212	-	6,212	-	-	-	6,212
Telephone	5,244	-	5,244	617	308	925	6,169
Donor management	-	-	-	-	4,821	4,821	4,821
Interest	3,242	-	3,242	-	-	-	3,242
	$ 474,879	$ 825,075	$ 1,299,954	$ 104,832	$ 62,760	$ 167,592	$ 1,467,546

See accompanying notes to consolidated financial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 54,307	$ (214,657)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	100,657	95,235
Change in beneficial interest in assets	2,710	(6,847)
Gain on disposal of fixed assets	(37,542)	-
Provision for bad debts (recovery)	(19,944)	28,960
Change in operating assets and liabilities:		
Accounts receivable	8,354	(22,610)
Unconditional promises to give	(53,799)	23,351
Inventory	(12,746)	(17,167)
Other current assets	205	(5,042)
Accounts payable and accrued expenses	3,121	(29,197)
Net cash provided by (used in) operating activities	45,323	(147,974)
Cash flows from investing activities:		
Purchases of property and equipment	(83,563)	(144,961)
Proceeds from disposal of fixed assets	84,900	-
Net cash provided by (used in) investing activities	1,337	(144,961)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	21,500	-
Principal payments on note payable	(10,866)	(5,530)
Net cash provided by (used in) financing activities	10,634	(5,530)
Net increase (decrease) in cash and cash equivalents	57,294	(298,465)
Cash and cash equivalents, beginning of year	320,874	619,339
Cash and cash equivalents, end of year	$ 378,168	$ 320,874
Supplemental schedule of cash flow information:		
Interest paid	$ 4,379	$ 3,242

See accompanying notes to consolidated financial statements.

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Magdalene, Inc. and subsidiary (the "Organization") is a nonprofit corporation, organized in the state of Tennessee in 1993. Its mission is to provide sanctuary, instruction, treatment and employment for women with a history of prostitution and addiction.

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, Thistle Farms product sales, fees for rehabilitation services provided for the men who are arrested for first offense soliciting in conjunction with the local court system, and 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 subsidiary, Magdalene Homes, LLC, to construct residential housing for graduates of its program.

Principles of Consolidation

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

Basis of Presentation

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 consolidated statements 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 consolidated statements 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.

Accounts Receivable

The Organization fulfills merchandise orders to businesses and sends invoices at a later date. Management believes accounts receivable are fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary.

Inventory

Inventory consisting of bath and home products and related raw materials is stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at 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

The Organization 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 income taxes has been made.

The Organization follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the years ended June 30, 2009 through June 30, 2012. The Organization had no uncertain tax positions at June 30, 2012 or 2011.

Functional Allocation of Expenses

The costs of providing programs and supporting services have been summarized on a functional basis in the consolidated statements 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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

The cost of advertising expenditures is expensed when incurred. Advertising expense amounted to $15,676 and $23,179 during the years ended June 30, 2012 and 2011, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds

Accounting principles generally accepted in the United States of America state that a nonprofit organization should classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. The guidance also requires additional disclosures applicable to all nonprofit organizations. Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e. the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the laws underlying the net asset classification of donor-restricted endowment funds.

Subsequent Events

The Organization evaluated subsequent events through October 5, 2012, when these consolidated financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

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

	2012	2011
Unconditional promises to give	$ 240,257	$ 186,397
Less: allowance for uncollectible contributions	(33,635)	(53,579)
Less: discount to net present value	(256)	(195)
Net unconditional promises to give	206,366	132,623
Less: amounts receivable in less than one year, net	(130,905)	(101,926)
Receivable in one to five years, net	$ 75,461	$ 30,697

NOTE 3 – PROPERTY AND EQUIPMENT

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

	2012	2011
Land and buildings	$ 2,201,864	$ 2,238,339
Furniture, fixtures and equipment	89,703	76,739
Vehicle	17,490	17,490
Leasehold improvements	10,236	10,236
Construction in progress	47,755	-
	2,367,048	2,342,804
Less: accumulated depreciation	(431,749)	(343,053)
	$ 1,935,299	$ 1,999,751

NOTE 4 – NOTES PAYABLE

	2012	2011
Note payable to bank secured by a first deed of trust on certain property with a net book value of $35,692, bearing interest at 7.27%, payable in monthly installments of $731, maturing March 2017.	$ 35,010	$ 40,954
Note payable to retailer, secured by certain equipment with a net book value of $13,300, bearing interest at 5%, payable in monthly installments of $648, maturing September 2014.	16,578	-
	$ 51,588	$ 40,954

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

2013	$ 13,583
2014	14,424
2015	9,438
2016	8,028
2017	6,115
	$ 51,588

NOTE 5 – NET ASSETS

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

	2012	2011
Donation for the purchase of the new Thistle Farms building	$ -	$ 130,956
Change in endowment funds	4,326	7,036
Donations for women's healthcare and nurse practitioner	84,965	50,000
Donations for Thistle Stop Café	100,558	-
Donation for Thistle Farms technology and improvements	15,488	-
Unconditional promises to give due in future periods	206,366	132,623
	$ 411,703	$ 320,615

NOTE 6 – 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. for the purpose of purchasing real estate and building residential homes for graduates of its program. During the year ended June 30, 2008, the construction of two homes was completed and the homes were sold to former Magdalene residents. The sales price of the two homes included unearned revenue for third mortgages of $20,000. Unearned revenue on third mortgages represents the non-interest bearing third mortgage loans held by the Organization related to these homes. The homeowners were required to sign a third mortgage for the difference between the estimated fair market value of the home, and the balance of other mortgages at the transfer date. The Organization does not foresee collection of the third mortgage loans except in the event of sale, refinance, or other transfer of the home by the owner.

NOTE 7 – CONCENTRATIONS

The Organization maintains its cash in bank accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). Management believes the Organization is not exposed to any significant credit risk on cash.

NOTE 8 – ENDOWMENT

Permanently restricted net assets consist of contributions whose principal is to be held in perpetuity in accordance with terms prescribed by the donors. The income from permanently restricted contributions is expendable to provide maintenance on a resident home. Permanently restricted net assets totaled $100,000 at June 30, 2012 and June 30, 2011.

NOTE 8 – ENDOWMENT (Continued)

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring that the Organization classify as permanently restricted net assets a) the original value of subsequent donor-restricted gifts to the permanent endowment, b) the original value of donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund for the year ended June 30, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 4,326	$ 100,000	$ 104,326
Total funds	$ -	$ 4,326	$ 100,000	$ 104,326

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 8 – ENDOWMENT (Continued)

Changes in endowment net assets for the year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 7,036	$ 100,000	$ 107,036
Investment return	$ -	(2,710)	-	(2,710)
Endowment net assets, end of year	$ -	$ 4,326	$ 100,000	$ 104,326

Endowment net asset composition by type of fund for the year ended June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 7,036	$ 100,000	$ 107,036
Total funds	$ -	$ 7,036	$ 100,000	$ 107,036

Changes in endowment net assets for the year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 189	$ 100,000	$ 100,189
Investment return	-	6,847	-	6,847
Endowment net assets, end of year	$ -	$ 7,036	$ 100,000	$ 107,036

NOTE 8 – ENDOWMENT (Continued)

The Organization has contributed approximately $47,000 of its endowment assets to be held at the Community Foundation of Middle Tennessee. The remainder of the endowment assets are comprised of cash held by the Organization. The Organization does not have a formal investment and spending policy for its endowment assets. At June 30, 2012, the Organization's endowment was comprised of approximately 53% cash and cash equivalents, 24% equity funds, 16% fixed income funds, and 8% in alternative investments.

NOTE 9 – RECLASSIFICATION

During the year ended June 30, 2012, management reviewed its permanently and temporarily restricted net asset balances and determined that certain assets held by the Community Foundation of Middle Tennessee should have been classified as permanently and temporarily restricted net assets. As a result, $42,696 of previously reported unrestricted net asset balances have been reclassified to permanently restricted net assets at June 30, 2010, and $7,036 of previously reported unrestricted net asset balances have been reclassified to temporarily restricted net assets at June 30, 2010.