

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

June 30, 2011 and 2010

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, 2011 and 2010 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 described in Note 8, the Organization restated its net assets effective June 30, 2009 to properly record agency endowment funds held at the Community Foundation of Middle Tennessee.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Magdalene, Inc. and subsidiary as of June 30, 2011 and 2010, and the consolidated 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 18, 2011

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010 (Restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 320,874	\$ 619,339
Unconditional promises to give, current	101,926	123,101
Accounts receivable	22,610	-
Inventory	23,512	6,345
Other current assets	9,863	4,821
Total current assets	478,785	753,606
Cash restricted for endowment	57,304	57,304
Beneficial interest in assets at Community Foundation of Middle Tennessee	49,732	42,885
Unconditional promises to give, net	30,697	61,833
Third mortgages receivable	20,000	20,000
Property and equipment, net	1,999,751	1,950,025
Total assets	\$ 2,636,269	\$ 2,885,653
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 51,877	\$ 81,074
Notes payable, current	6,006	5,586
Total current liabilities	57,883	86,660
Unearned revenue on third mortgages	20,000	20,000
Notes payable, net of current portion	34,948	40,898
Total liabilities	112,831	147,558
Net assets:		
Unrestricted	2,102,823	2,078,157
Designated by board as agency endowment	49,732	42,885
Temporarily restricted	313,579	559,749
Permanently restricted	57,304	57,304
Total net assets	2,523,438	2,738,095
Total liabilities and net assets	\$ 2,636,269	\$ 2,885,653

See accompanying notes to consolidated financial 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
Grants	275,000	-	-	275,000
Men's rehabilitation program	68,650	-	-	68,650
Other	14,065	-	-	14,065
Net assets released from restrictions	291,219	(291,219)	-	-
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	2,121,042	559,749	57,304	2,738,095
Net assets, end of year	<u>\$ 2,152,555</u>	<u>\$ 313,579</u>	<u>\$ 57,304</u>	<u>\$2,523,438</u>

See accompanying notes to consolidated financial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2010 (Restated)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Contributions	\$ 368,732	\$ 1,584,075	\$ -	\$1,952,807
Thistle Farms product sales	235,976	-	-	235,976
Men's rehabilitation program	96,500	-	-	96,500
Grants	78,500	-	-	78,500
Other	42,738	6,306	-	49,044
Net assets released from restrictions	1,245,126	(1,245,126)	-	-
Total revenue and other support	<u>2,067,572</u>	<u>345,255</u>	<u>-</u>	<u>2,412,827</u>
Expenses:				
Program services:				
Women's sanctuary and rehabilitation	460,955	-	-	460,955
Thistle Farms	423,157	-	-	423,157
Total program services	<u>884,112</u>	<u>-</u>	<u>-</u>	<u>884,112</u>
Supporting services:				
Management and general	39,577	-	-	39,577
Fundraising	48,733	-	-	48,733
Total supporting services	<u>88,310</u>	<u>-</u>	<u>-</u>	<u>88,310</u>
Total expenses	<u>972,422</u>	<u>-</u>	<u>-</u>	<u>972,422</u>
Losses:				
Loss on disposal of fixed asset	54,556	-	-	54,556
Change in net assets	1,040,594	345,255	-	1,385,849
Net assets, beginning of year, as previously reported	1,040,398	214,494	57,304	1,312,196
Restatement	40,050	-	-	40,050
Net assets, beginning of year, as restated	<u>1,080,448</u>	<u>214,494</u>	<u>57,304</u>	<u>1,352,246</u>
Net assets, end of year	<u>\$ 2,121,042</u>	<u>\$ 559,749</u>	<u>\$ 57,304</u>	<u>\$2,738,095</u>

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			Total Expenses
	Women's Sanctuary and Rehabilitation	Thistle Farms	Total Program Services	Management and General	Fundraising	Total Supporting Services	
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	36,160	37,136	733	9,977	10,710	47,846
Payroll tax	17,739	20,552	38,291	5,396	2,256	7,652	45,943
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
Employee benefits	863	1,097	1,960	140	1,021	1,161	3,121
Credit card and bank fees	-	2,164	2,164	-	-	-	2,164
	<u>\$ 474,879</u>	<u>\$ 825,075</u>	<u>\$ 1,299,954</u>	<u>\$ 104,832</u>	<u>\$ 62,760</u>	<u>\$ 167,592</u>	<u>\$ 1,467,546</u>

See accompanying notes to consolidated financial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2010

	Program Services			Supporting Services			Total Expenses
	Women's Sanctuary and Rehabilitation	Thistle Farms	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 185,045	\$ 184,634	\$ 369,679	\$ 15,527	\$ 26,910	\$ 42,437	\$ 412,116
Cost of sales - materials	-	78,434	78,434	-	-	-	78,434
Depreciation	48,840	-	48,840	-	-	-	48,840
Cost of sales - labor	-	44,915	44,915	-	-	-	44,915
Payroll tax	17,598	15,779	33,377	1,487	4,084	5,571	38,948
Miscellaneous	10,679	13,274	23,953	718	14,263	14,981	38,934
Utilities	29,941	3,333	33,274	-	-	-	33,274
Reimbursement - St. Augustine's	27,519	-	27,519	1,529	1,529	3,058	30,577
Repairs and maintenance	19,392	10,097	29,489	-	-	-	29,489
Insurance	18,361	9,330	27,691	-	-	-	27,691
Medical	23,183	-	23,183	-	-	-	23,183
Other program expenses	8,630	12,910	21,540	240	-	240	21,780
Legal and professional	-	2,037	2,037	16,729	-	16,729	18,766
Stipends	16,950	-	16,950	-	-	-	16,950
Mental health	14,436	-	14,436	-	-	-	14,436
Transportation	5,692	8,703	14,395	-	-	-	14,395
Cost of sales - printing	-	13,766	13,766	-	-	-	13,766
Contract labor	13,354	-	13,354	-	-	-	13,354
Advertising and promotion	-	10,136	10,136	-	-	-	10,136
Printing and supplies	4,521	1,466	5,987	1,617	560	2,177	8,164
Supplies	-	6,830	6,830	-	-	-	6,830
Credit card and bank fees	-	5,573	5,573	-	-	-	5,573
Telephone	4,185	-	4,185	492	246	738	4,923
Food and household supplies	4,113	-	4,113	-	-	-	4,113
Newsletter	1,950	-	1,950	1,138	975	2,113	4,063
Interest	3,629	-	3,629	-	-	-	3,629
Clothing and grooming	2,322	-	2,322	-	-	-	2,322
Employee benefits	615	781	1,396	100	166	266	1,662
Meals and events	-	1,159	1,159	-	-	-	1,159
	<u>\$ 460,955</u>	<u>\$ 423,157</u>	<u>\$ 884,112</u>	<u>\$ 39,577</u>	<u>\$ 48,733</u>	<u>\$ 88,310</u>	<u>\$ 972,422</u>

See accompanying notes to consolidated financial statements.

MAGDALENE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2011 and 2010

	2011	2010 (Restated)
Cash flows from operating activities:		
Change in net assets	\$ (214,657)	\$ 1,385,849
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	95,235	48,840
Change in beneficial interest in assets	(6,847)	(2,835)
Loss on disposal of fixed assets	-	54,556
Contribution restricted for long-term purpose	-	(1,500,000)
Provision for bad debts (recovery)	28,960	(10,659)
Change in operating assets and liabilities:		
Accounts receivable	(22,610)	-
Unconditional promises to give	23,351	40,219
Inventory	(17,167)	5,489
Other current assets	(5,042)	(2,704)
Accounts payable and accrued expenses	(29,197)	37,046
	<u>(147,974)</u>	<u>55,801</u>
Cash flows from investing activities:		
Purchases of property and equipment	(144,961)	(1,090,923)
Contribution restricted for long-term purpose	-	1,500,000
	<u>(144,961)</u>	<u>409,077</u>
Cash flows from financing activities:		
Principal payments on note payable	(5,530)	(5,138)
	<u>(5,530)</u>	<u>(5,138)</u>
Net (decrease) increase in cash and cash equivalents	(298,465)	459,740
Cash and cash equivalents, beginning of year	619,339	159,599
Cash and cash equivalents, end of year	<u>\$ 320,874</u>	<u>\$ 619,339</u>
Supplemental schedule of cash flow information:		
Interest paid	<u>\$ 3,121</u>	<u>\$ 3,629</u>

See accompanying notes to consolidated financial statements.

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

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, 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 subsidiary, Magdalene Homes, LLC, to construct residential housing for graduates of its program.

Principles of Consolidation

The consolidated 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.

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

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.

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

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 federal income taxes is included in the accompanying consolidated financial statements.

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity'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. This guidance must be applied to all existing tax positions upon initial adoption. The Organization has no tax penalties or interest reported in the accompanying consolidated financial statements. Tax years that remain open for examination include the years ended June 30, 2008 through June 30, 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 consolidated financial statements.

Subsequent Events

The Organization evaluated subsequent events through November 18, 2011, 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.

Reclassifications

Certain reclassifications have been made to the 2010 amounts to conform with 2011 presentation.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

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

	<u>2011</u>	<u>2010</u>
Unconditional promises to give	\$ 186,397	\$ 224,948
Less: allowance for uncollectible contributions	(53,579)	(39,353)
Less: discount to net present value	<u>(195)</u>	<u>(661)</u>
Net unconditional promises to give	132,623	184,934
Less: amounts receivable in less than one year, net	<u>(101,926)</u>	<u>(123,101)</u>
Receivable in one to five years, net	<u>\$ 30,697</u>	<u>\$ 61,833</u>

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 3 – PROPERTY AND EQUIPMENT

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

	2011	2010
Land and buildings	\$ 2,238,339	\$ 2,077,395
Furniture, fixtures and equipment	76,739	52,699
Vehicle	17,490	17,490
Construction in progress	-	40,023
Leasehold improvements	10,236	10,236
	2,342,804	2,197,843
Less: accumulated depreciation	(343,053)	(247,818)
	\$ 1,999,751	\$ 1,950,025

NOTE 4 – NOTES PAYABLE

The Organization has a note agreement that provides for monthly payments of \$731, including interest at 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 \$40,954 and \$46,484 at June 30, 2011 and 2010, respectively.

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

2012	\$ 6,006
2013	6,458
2014	6,943
2015	7,466
2016	8,028
Thereafter	6,053
	\$ 40,954

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 5 – NET ASSETS

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

	2011	2010
Donation for the purchase of the new Thistle Farms building	\$ 130,956	\$ 374,815
Donation for women’s healthcare and nurse practitioner	50,000	-
Unconditional promises to give due in future periods	132,623	184,934
	\$ 313,579	\$ 559,749

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 at June 30, 2011 and 2010.

NOTE 6 – RELATED PARTIES

During the year ended June 30, 2010, the Organization operated its administrative facilities from Saint Augustine’s Chapel, which donated 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 \$5,577 for the year ended June 30, 2010. During the year ended June 30, 2010, the Organization purchased its own facilities for both administrative and manufacturing use. Those facilities were placed into service in fiscal 2011. No expenses were paid to St. Augustine’s Chapel in fiscal 2011.

The Treasurer maintains the internal bookkeeping records of the Organization and was compensated \$500 for these services for each of the years ended June 30, 2011 and 2010.

NOTE 7 – 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 sold to former Magdalene residents. The sales price of the two homes was \$203,000, including 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.

MAGDALENE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 8 – MAGDALENE, INC. AGENCY ENDOWMENT FUND AT COMMUNITY FOUNDATION OF MIDDLE TENNESSEE AND RESTATEMENT

The Community Foundation of Middle Tennessee (the “Community Foundation”) maintains agency investments on behalf of the Organization. Under the terms of the agreement, the Community Foundation has variance power and is the legal owner of the investments. However, the Organization is the beneficiary of the fund and receives distributions of income, subject to the Community Foundation’s spending policy. The investments primarily result from unrestricted amounts transferred by the Organization to the Community Foundation in prior years.

During 2011, the Organization determined that such assets should be recorded in the accompanying consolidated financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification guidance. Accordingly, the Organization has restated its net assets effective June 30, 2009 as follows:

Unrestricted net assets as previously recorded at June 30, 2009	\$ 1,040,398
Beneficial interest in assets at Community Foundation of Middle Tennessee	<u>40,050</u>
Total net assets, as restated at June 30, 2009	<u><u>\$1,080,448</u></u>

The Organization has recorded the related asset “beneficial interest in assets at Community Foundation of Middle Tennessee” in the accompanying consolidated statements of financial position. In addition, the Organization has recorded revenue of \$6,847 and \$2,835 for the years ended June 30, 2011 and 2010, respectively, in the statements of activities.

NOTE 9 – 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. Uninsured balances at June 30, 2011 and 2010 totaled \$0 and \$124,802, respectively.