

**BIG BROTHERS/BIG SISTERS
OF MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

December 31, 2012 and 2011

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Big Brothers/Big Sisters of Middle Tennessee
Nashville, Tennessee

We have audited the accompanying financial statements of Big Brothers/Big Sisters of Middle Tennessee (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers/Big Sisters of Middle Tennessee as of December 31, 2012 and 2011, 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.

Frasin, Don & Harl, PLLC

August 29, 2013

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 104,386	\$ 42,143
Investments	2,868	-
Contributions receivable, net	41,084	112,748
Grants receivable	58,321	37,470
Due from affiliate	-	22,313
Prepaid expenses and other	10,219	14,157
	<u>216,878</u>	<u>228,831</u>
Total current assets	216,878	228,831
Contributions receivable, net	-	4,625
Buildings and equipment, net	1,544,926	1,600,036
	<u>1,544,926</u>	<u>1,600,036</u>
Total assets	<u>\$ 1,761,804</u>	<u>\$ 1,833,492</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 47,370	\$ 143,211
Deferred revenue	44,359	86,860
Line of credit	94,155	99,655
	<u>185,884</u>	<u>329,726</u>
Total current liabilities	185,884	329,726
Net assets:		
Unrestricted	1,442,329	1,294,726
Temporarily restricted	133,591	209,040
	<u>1,575,920</u>	<u>1,503,766</u>
Total net assets	1,575,920	1,503,766
Total liabilities and net assets	<u>\$ 1,761,804</u>	<u>\$ 1,833,492</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue, gains and other support:			
Federal grants	\$ 664,924	\$ -	\$ 664,924
Contributions	473,465	10,000	483,465
Grants - other	337,215	136,397	473,612
Fundraising events	436,360	-	436,360
State grants	250,000	-	250,000
United Way	150,050	-	150,050
In-kind	41,050	-	41,050
Investment income (loss), net	(868)	-	(868)
Net assets released from restrictions	221,846	(221,846)	-
	<u>2,574,042</u>	<u>(75,449)</u>	<u>2,498,593</u>
Total revenue, gains, and other support			
Expenses:			
Program services	1,635,631	-	1,635,631
Supporting services:			
Management and general	306,003	-	306,003
Fundraising	469,373	-	469,373
	<u>775,376</u>	<u>-</u>	<u>775,376</u>
Total supporting services			
National program fees	15,432	-	15,432
	<u>2,426,439</u>	<u>-</u>	<u>2,426,439</u>
Total expenses			
Change in net assets	147,603	(75,449)	72,154
Net assets at beginning of year	1,294,726	209,040	1,503,766
Net assets at end of year	<u>\$ 1,442,329</u>	<u>\$ 133,591</u>	<u>\$ 1,575,920</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenue, gains and other support:			
Federal grants	\$ 1,391,163	\$ -	\$ 1,391,163
Contributions	381,738	100,000	481,738
Grants - other	444,600	-	444,600
Fundraising events	362,812	-	362,812
State grants	250,000	-	250,000
United Way	131,762	-	131,762
In-kind	29,113	-	29,113
Investment income, net	111	-	111
Net assets released from restrictions	133,328	(133,328)	-
	<u>3,124,627</u>	<u>(33,328)</u>	<u>3,091,299</u>
Total revenue, gains, and other support			
Expenses:			
Program services	2,527,168	-	2,527,168
Supporting services:			
Management and general	361,484	-	361,484
Fundraising	529,093	-	529,093
	<u>890,577</u>	<u>-</u>	<u>890,577</u>
Total supporting services			
National program fees	27,000	-	27,000
	<u>3,444,745</u>	<u>-</u>	<u>3,444,745</u>
Total expenses			
Change in net assets	(320,118)	(33,328)	(353,446)
Net assets at beginning of year	1,614,844	242,368	1,857,212
Net assets at end of year	<u>\$ 1,294,726</u>	<u>\$ 209,040</u>	<u>\$ 1,503,766</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012

	Program Services	Management and General	Fund Raising	National Program Fees	Total Expenses
Salaries	\$ 1,001,330	\$ 41,542	\$ 262,933	\$ -	\$ 1,305,805
Payroll taxes	69,853	3,992	25,269	-	99,114
Employee benefits	162,328	5,640	35,699	-	203,667
Total salaries and related expenses	1,233,511	51,174	323,901	-	1,608,586
Professional fees	2,594	102,018	10,156	-	114,768
Subrecipient expenditures - state grants	112,426	-	-	-	112,426
Other	63,535	-	19,738	-	83,273
Fundraising event costs	-	-	81,994	-	81,994
Insurance	75,701	-	-	-	75,701
Bad debt expense	-	60,974	-	-	60,974
In-kind activities	7,466	-	33,584	-	41,050
Bank fees and licenses	-	32,113	-	-	32,113
Travel	24,747	-	-	-	24,747
Telephone	21,909	-	-	-	21,909
Utilities and equipment	20,296	-	-	-	20,296
Conferences and meetings	19,214	-	-	-	19,214
Equipment rental and maintenance	18,933	-	-	-	18,933
National program fees	-	-	-	15,432	15,432
Activities	11,745	-	-	-	11,745
Supplies	8,025	-	-	-	8,025
Rent	7,200	-	-	-	7,200
Postage	7,037	-	-	-	7,037
Public relations	1,292	-	-	-	1,292
Total other expenses	402,120	195,105	145,472	15,432	758,129
Total expenses before depreciation	1,635,631	246,279	469,373	15,432	2,366,715
Depreciation expense	-	59,724	-	-	59,724
Total expenses	<u>\$ 1,635,631</u>	<u>\$ 306,003</u>	<u>\$ 469,373</u>	<u>\$ 15,432</u>	<u>\$ 2,426,439</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011

	Program Services	Management and General	Fund Raising	National Program Fees	Total Expenses
Salaries	\$ 1,307,603	\$ 178,202	\$ 314,702	\$ -	\$ 1,800,507
Payroll taxes	113,253	-	22,029	-	135,282
Employee benefits	189,576	-	40,911	-	230,487
Total salaries and related expenses	<u>1,610,432</u>	<u>178,202</u>	<u>377,642</u>	<u>-</u>	<u>2,166,276</u>
Subrecipient expenditures - federal grants	366,562	-	-	-	366,562
Subrecipient expenditures - state grants	119,250	-	-	-	119,250
Fundraising event costs	-	-	118,884	-	118,884
Professional fees	41,670	27,639	-	-	69,309
Insurance	69,167	-	-	-	69,167
Other	62,724	-	3,454	-	66,178
Travel	64,526	-	-	-	64,526
Bad debt expense	-	64,123	-	-	64,123
Utilities and equipment	50,542	-	-	-	50,542
Telephone	31,598	-	-	-	31,598
Conferences and meetings	29,223	-	-	-	29,223
In-kind activities	-	-	29,113	-	29,113
Bank fees and licenses	-	28,475	-	-	28,475
National program fees	325	-	-	27,000	27,325
Equipment rental and maintenance	20,403	-	-	-	20,403
Supplies	19,310	-	-	-	19,310
Postage	15,028	-	-	-	15,028
Public relations	11,266	-	-	-	11,266
Activities	10,705	-	-	-	10,705
Rent	4,437	-	-	-	4,437
Total other expenses	<u>916,736</u>	<u>120,237</u>	<u>151,451</u>	<u>27,000</u>	<u>1,215,424</u>
Total expenses before depreciation	2,527,168	298,439	529,093	27,000	3,381,700
Depreciation expense	<u>-</u>	<u>63,045</u>	<u>-</u>	<u>-</u>	<u>63,045</u>
Total expenses	<u><u>\$ 2,527,168</u></u>	<u><u>\$ 361,484</u></u>	<u><u>\$ 529,093</u></u>	<u><u>\$ 27,000</u></u>	<u><u>\$ 3,444,745</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 72,154	\$ (353,446)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	59,724	63,045
Contribution of investments	(2,868)	-
Changes in operating assets and liabilities:		
Contributions receivable, net	76,289	84,995
Grants receivable	(20,851)	45,754
Due from affiliate	22,313	(22,313)
Prepaid expenses and other	3,938	(2,548)
Accounts payable and accrued expenses	(95,841)	92,434
Deferred revenue	(42,501)	51,105
Grant payable	-	(47,225)
Net cash provided by (used in) operating activities	<u>72,357</u>	<u>(88,199)</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(4,614)</u>	<u>-</u>
Net cash used in investing activities	<u>(4,614)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from line of credit	-	131,400
Payments on line of credit	<u>(5,500)</u>	<u>(100,445)</u>
Net cash (used in) provided by financing activities	<u>(5,500)</u>	<u>30,955</u>
Net increase (decrease) in cash and cash equivalents	62,243	(57,244)
Cash and cash equivalents at beginning of year	<u>42,143</u>	<u>99,387</u>
Cash and cash equivalents at end of year	<u><u>\$ 104,386</u></u>	<u><u>\$ 42,143</u></u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u><u>\$ 4,555</u></u>	<u><u>\$ 5,172</u></u>
Contribution of investments	<u><u>\$ 2,868</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Big Brothers/Big Sisters of Middle Tennessee (the “Organization”) is a not-for-profit corporation organized in Nashville, Tennessee in 1969. The Organization provides programs and services to match adult volunteer mentors with children from primarily single-parent homes throughout Middle Tennessee. The Organization receives support from state and federal agencies, individual donors and foundations, and through fund-raising events.

Financial Statement Presentation

The Organization presents its financial statements in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Under these standards, the Organization is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

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 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 on related investments for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2012 and 2011.

Contributions

The Organization accounts for contributions in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Under these standards, contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. 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.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of six months or less to be cash and cash equivalents.

Investments

Investments are valued at their fair market values in the statements of financial position. Unrealized gains and losses as well as appreciation or depreciation in market value are reflected in the accompanying financial statements.

Buildings and Equipment

The Organization generally capitalizes an asset if its life is estimated to be one year or greater and the cost is \$1,000 or greater. Fixed assets are recorded at cost or at fair value as of the date contributed. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 40 years.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. Amounts for donated services are not reflected in the financial statements as no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in program services.

Allocated Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates by management.

Use of Estimates

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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made.

The Organization follows guidance concerning the accounting for 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. The Organization does not believe there are any uncertain tax positions at December 31, 2012 and 2011. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended December 31, 2009 through December 31, 2012.

Reclassifications

Certain reclassifications have been made to 2011 balances to conform with the 2012 presentation.

Subsequent Events

The Organization evaluated subsequent events through August 29, 2013, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Fundraising breakfast pledges	\$ 106,429	\$ 182,718
Less allowance for doubtful accounts	<u>(65,345)</u>	<u>(65,345)</u>
	<u><u>\$ 41,084</u></u>	<u><u>\$ 117,373</u></u>
Receivable in less than one year	\$ 41,084	\$ 112,748
Receivable in one to five years	<u>-</u>	<u>4,625</u>
	<u><u>\$ 41,084</u></u>	<u><u>\$ 117,373</u></u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012 and 2011

NOTE 2 – CONTRIBUTIONS RECEIVABLE (Continued)

During 2012 and 2011, the Organization performed detailed evaluations of its outstanding contributions receivable. As a result, a charge to bad debt expense of \$60,974 and \$64,123 was recorded in 2012 and 2011, respectively.

NOTE 3 – BUILDINGS AND EQUIPMENT

Buildings and equipment consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Building and improvements	\$ 1,609,856	\$ 1,609,856
Equipment	<u>217,582</u>	<u>212,974</u>
	1,827,438	1,822,830
Less accumulated depreciation	<u>(282,512)</u>	<u>(222,794)</u>
	<u>\$ 1,544,926</u>	<u>\$ 1,600,036</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of December 31:

	<u>2012</u>	<u>2011</u>
High School Bigs program (time restriction)	\$ 45,833	\$ 91,667
Contributions receivable (time restriction)	41,084	117,373
Beyond School Walls program (time restriction)	19,098	-
Parent Engagement program	16,049	-
Other programs	<u>11,527</u>	<u>-</u>
	<u>\$ 133,591</u>	<u>\$ 209,040</u>

NOTE 5 – CONCENTRATIONS

The Organization receives a substantial amount of its revenue from federal grants. A significant reduction in the level of this support, if it were to occur, could have an adverse impact on the Organization's programs and services. During 2011, the Organization's funding for one significant program ended due to federal budget cuts. This program provided approximately \$773,000 in revenues during 2011. Amounts included in revenue from federal grants totaled \$664,924 and \$1,391,163 in 2012 and 2011, respectively.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012 and 2011

NOTE 6 – LEASES

The Organization has entered into non-cancelable operating lease agreements for certain office equipment. Rent expense totaled \$25,202 and \$24,840 in 2012 and 2011, respectively.

The future minimum lease payments under operating lease arrangements are as follows for the years ending December 31:

2013	\$	6,337
2014		540
2015		-
2016		-
2017		-
		<hr/>
	\$	<u>6,877</u>

NOTE 7 – LINE OF CREDIT

The Organization has a line of credit agreement with a bank, under which the Organization may borrow up to \$100,000. In November 2012, the agreement was extended through February 2013, at which time the balance of the line of credit is due. At December 31, 2012, the interest rate, which is subject to change based upon changes in the prime rate, was at the minimum rate of 5%. Borrowings under this arrangement were \$94,155 and \$99,655 at December 31, 2012 and 2011, respectively. The agreement is collateralized by all business assets.

Subsequent to yearend, in February 2013, the agreement was refinanced under substantially the same terms. The outstanding principal is now due February 2014.

NOTE 8 – EMPLOYEE BENEFIT PLAN

The Organization has a tax sheltered investment plan covering full-time employees. Following the completion of one year of employment, employees become eligible for a match of up to 3% of the employee's salary. Effective April 2012, the employer match was discontinued. Total contributions made to the plan were \$3,425 and \$27,963 for the years ended December 31, 2012 and 2011, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Organization is periodically subject to legal actions which arise in the ordinary course of business. The Organization has professional liability insurance to protect against such claims or legal actions on a claims-made basis.