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

## **FINANCIAL STATEMENTS**

***As of and for the Years Ended December 31, 2017  
and 2016***

***And Report of Independent Auditor***

**BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE**  
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## Report of Independent Auditor

The Board of Directors  
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 statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2017, 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.

### Prior Year Financial Statements

The financial statements as of December 31, 2016, were audited by other auditors whose report dated August 29, 2017, expressed an unmodified opinion on those statements.



Nashville, Tennessee  
September 10, 2018

**BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE**  
**STATEMENTS OF FINANCIAL POSITION**

*DECEMBER 31, 2017 AND 2016*

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 751,296	\$ 489,870
Investments	-	2,004
Accounts receivable	27,342	25,464
Grants receivable	112,894	318,945
Prepaid expenses and other	34,891	17,085
Total Current Assets	926,423	853,368
Buildings and equipment, net	1,307,200	1,372,148
<b>Total Assets</b>	<b>\$ 2,233,623</b>	<b>\$ 2,225,516</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 29,645	\$ 35,736
Deferred revenue	7,550	-
<b>Total Liabilities</b>	<b>37,195</b>	<b>35,736</b>
Net Assets:		
Unrestricted	2,143,623	2,159,637
Temporarily restricted	52,805	30,143
<b>Total Net Assets</b>	<b>2,196,428</b>	<b>2,189,780</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,233,623</b>	<b>\$ 2,225,516</b>

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

*YEAR ENDED DECEMBER 31, 2017*

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenue, Gains, and Other Support:			
Contributions	\$ 850,714	\$ -	\$ 850,714
Grants - other	604,748	30,833	635,581
Fundraising events	527,152	21,972	549,124
Federal grants	417,154	-	417,154
State grants	350,000	-	350,000
In-kind	191,457	-	191,457
United Way	152,981	-	152,981
Investment income, net	2,449	-	2,449
Net assets released from restrictions	30,143	(30,143)	-
<b>Total Revenue, Gains, and Other Support</b>	<b>3,126,798</b>	<b>22,662</b>	<b>3,149,460</b>
Expenses:			
Program services	2,032,955	-	2,032,955
Supporting services:			
Management and general	249,119	-	249,119
Fundraising	841,983	-	841,983
<b>Total Supporting Services</b>	<b>1,091,102</b>	<b>-</b>	<b>1,091,102</b>
National program fees	18,755	-	18,755
<b>Total Expenses</b>	<b>3,142,812</b>	<b>-</b>	<b>3,142,812</b>
Change in net assets	(16,014)	22,662	6,648
Net assets, beginning of year	2,159,637	30,143	2,189,780
Net assets, end of year	<u>\$ 2,143,623</u>	<u>\$ 52,805</u>	<u>\$ 2,196,428</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

*YEAR ENDED DECEMBER 31, 2016*

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenue, Gains, and Other Support:			
Contributions	\$ 697,715	\$ -	\$ 697,715
Grants - other	567,230	28,333	595,563
Fundraising events	545,361	1,810	547,171
Federal grants	408,444	-	408,444
State grants	250,000	-	250,000
In-kind	205,414	-	205,414
United Way	183,706	-	183,706
Investment loss, net	(1,572)	-	(1,572)
Net assets released from restrictions	65,000	(65,000)	-
Total Revenue, Gains, and Other Support	<u>2,921,298</u>	<u>(34,857)</u>	<u>2,886,441</u>
Expenses:			
Program services	<u>1,725,184</u>	<u>-</u>	<u>1,725,184</u>
Supporting Services:			
Management and general	179,781	-	179,781
Fundraising	<u>785,214</u>	<u>-</u>	<u>785,214</u>
Total Supporting Services	<u>964,995</u>	<u>-</u>	<u>964,995</u>
National program fees	<u>19,595</u>	<u>-</u>	<u>19,595</u>
Total Expenses	<u>2,709,774</u>	<u>-</u>	<u>2,709,774</u>
Change in net assets	211,524	(34,857)	176,667
Net assets, beginning of year	<u>1,948,113</u>	<u>65,000</u>	<u>2,013,113</u>
Net assets, end of year	<u>\$ 2,159,637</u>	<u>\$ 30,143</u>	<u>\$ 2,189,780</u>

The accompanying notes to the financial statements are an integral part of this statement.

**BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2017*

		<b>Supporting Services</b>		<b>National</b>	
	<b>Program</b>	<b>Management</b>	<b>Fundraising</b>	<b>Program</b>	<b>Total</b>
	<b>Services</b>	<b>and General</b>		<b>Fees</b>	<b>Expenses</b>
Salaries	\$ 1,110,254	\$ 53,844	\$ 332,850	\$ -	\$ 1,496,948
Payroll taxes	80,642	6,912	23,741	-	111,295
Employee benefits	151,445	12,981	44,585	-	209,011
Total Salaries and Related Expenses	1,342,341	73,737	401,176	-	1,817,254
Fundraising events, including in-kind of \$170,319	-	-	323,795	-	323,795
Subrecipient expenditures - state grants	236,019	-	-	-	236,019
Professional fees	16,306	142,238	22,800	-	181,344
Conferences, meetings, and recruiting	94,699	1,083	4,984	-	100,766
Insurance	48,327	10,183	2,413	-	60,923
Supplies	48,435	1,570	7,343	-	57,348
Equipment rental and maintenance	41,543	2,455	7,365	-	51,363
Travel and staff training	38,691	616	9,178	-	48,485
Activities, including in-kind of \$2,890	41,327	-	-	-	41,327
Other	20,057	2,765	7,826	-	30,648
Bank fees and licenses	-	9,636	15,800	-	25,436
Public relations	13	-	24,341	-	24,354
Office rent, including in-kind of \$18,248	21,379	20	60	-	21,459
National program fees	-	-	-	18,755	18,755
Utilities and equipment	11,339	663	1,989	-	13,991
Telephone	9,546	367	1,151	-	11,064
Postage	5,613	315	1,348	-	7,276
Total Other Expenses	633,294	171,911	430,393	18,755	1,254,353
Total Expenses before Depreciation	1,975,635	245,648	831,569	18,755	3,071,607
Depreciation expense	57,320	3,471	10,414	-	71,205
Total Expenses	<u>\$ 2,032,955</u>	<u>\$ 249,119</u>	<u>\$ 841,983</u>	<u>\$ 18,755</u>	<u>\$ 3,142,812</u>

The accompanying notes to the financial statements are an integral part of this statement.

**BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2016*

		<b>Supporting Services</b>		<b>National</b>	
	<b>Program</b>	<b>Management</b>	<b>Fundraising</b>	<b>Program</b>	<b>Total</b>
	<b>Services</b>	<b>and General</b>		<b>Fees</b>	<b>Expenses</b>
Salaries	\$ 1,018,830	\$ 47,208	\$ 323,541	\$ -	\$ 1,389,579
Payroll taxes	75,453	3,496	23,961	-	102,910
Employee benefits	131,770	6,106	41,845	-	179,721
Total Salaries and Related Expenses	1,226,053	56,810	389,347	-	1,672,210
Fundraising events, including in-kind of \$185,666	-	-	323,959	-	323,959
Subrecipient expenditures - state grants	143,473	-	-	-	143,473
Professional fees	11,679	97,042	-	-	108,721
Insurance	57,437	5,687	3,307	-	66,431
Conferences and meetings	33,397	3,339	7,801	-	44,537
Other	30,432	2,212	7,276	-	39,920
Supplies	28,279	2,436	8,049	-	38,764
Travel	27,239	348	6,689	-	34,276
Equipment rental and maintenance	25,023	1,443	4,864	-	31,330
Activities, including in-kind of \$1,500	29,257	-	-	-	29,257
Office rent, including in-kind of \$18,248	24,123	725	-	-	24,848
National program fees	-	-	-	19,595	19,595
Bank fees and licenses	-	5,275	13,694	-	18,969
Telephone	11,595	405	1,414	-	13,414
Utilities and equipment	10,690	613	2,065	-	13,368
Postage	5,294	282	1,813	-	7,389
Public relations	1,931	34	4,384	-	6,349
Awards and grants	5,000	-	-	-	5,000
Total Other Expenses	444,849	119,841	385,315	19,595	969,600
Total Expenses before Depreciation	1,670,902	176,651	774,662	19,595	2,641,810
Depreciation expense	54,282	3,130	10,552	-	67,964
Total Expenses	<u>\$ 1,725,184</u>	<u>\$ 179,781</u>	<u>\$ 785,214</u>	<u>\$ 19,595</u>	<u>\$ 2,709,774</u>

The accompanying notes to the financial statements are an integral part of this statement.



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

## **STATEMENTS OF CASH FLOWS**

*YEARS ENDED DECEMBER 31, 2017 AND 2016*

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 6,648	\$ 176,667
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	71,205	67,964
Contribution of investments	-	(2,004)
Changes in operating assets and liabilities:		
Accounts receivable	(1,878)	(9,865)
Grants receivable	206,051	(187,922)
Prepaid expenses and other	(17,806)	(4,718)
Accounts payable and accrued expenses	(6,091)	(26,418)
Deferred revenue	7,550	-
Net cash provided by operating activities	<u>265,679</u>	<u>13,704</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	2,004	-
Purchase of equipment	<u>(6,257)</u>	<u>(54,093)</u>
Net cash used in investing activities	<u>(4,253)</u>	<u>(54,093)</u>
<b>Cash flows from financing activities:</b>		
Payments on note payable	<u>-</u>	<u>(22,153)</u>
Net cash used in financing activities	<u>-</u>	<u>(22,153)</u>
Net increase (decrease) in cash and cash equivalents	261,426	(62,542)
Cash and cash equivalents, beginning of year	<u>489,870</u>	<u>552,412</u>
Cash and cash equivalents, end of year	<u><u>\$ 751,296</u></u>	<u><u>\$ 489,870</u></u>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	<u><u>\$ -</u></u>	<u><u>\$ 289</u></u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

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### **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 fundraising 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, 2017 and 2016.

*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.

*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 three months or less to be cash and cash equivalents.

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

*Grants Receivable* – Grant revenues are recognized when qualified reimbursable expenses are incurred or when services are performed. Grant funds received in advance are recognized as deferred grant revenue until earned. Grant receivables represent amounts due from grants which have been earned but not received. All grant receivables are reported at estimated collectible amounts.

# BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### **Note 1—Nature of activities and significant accounting policies (continued)**

*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. Buildings and equipment 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 fair 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.

*Income Taxes* – The Organization qualifies as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization files U.S. Federal Form 990 for organizations exempt from income.

The Organization follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) guidance related to unrecognized tax benefits. The guidance 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 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. There is no accrual for uncertain tax positions at December 31, 2017 and 2016.

*Subsequent Events* – The Organization evaluated subsequent events through September 10, 2018, 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.

# BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

### Note 2—Buildings and equipment

Buildings and equipment consist of the following at December 31:

	2017	2016
Building and improvements	\$ 1,648,631	\$ 1,644,331
Equipment	260,316	258,359
	1,908,947	1,902,690
Less accumulated depreciation	(601,747)	(530,542)
	<u>\$ 1,307,200</u>	<u>\$ 1,372,148</u>

### Note 3—Temporarily restricted net assets

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

	2017	2016
Events and conferences (time and purpose restriction)	\$ 25,305	\$ 5,143
Beyond School Walls program (time restriction)	15,000	15,000
Other programs (time and purpose restrictions)	12,500	10,000
	<u>\$ 52,805</u>	<u>\$ 30,143</u>

### Note 4—Concentrations

The Organization receives a substantial amount of its revenue from federal and state 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. Amounts included in revenue from federal and state grants totaled \$767,154 and \$658,444, in 2017 and 2016, respectively.

The Organization receives a substantial amount of its revenue from one contribution appeal. A significant reduction in the level of response, if it were to occur, could have an adverse impact on the Organization's programs and services. Amounts included in contributions revenue from this appeal totaled \$720,309 and \$581,915, in 2017 and 2016, respectively.

Cash and cash equivalents are primarily held in bank accounts that, at times, exceed federally-insured amounts.

# BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### Note 5—Leases

The Organization has entered into non-cancelable operating lease agreements for certain office equipment. Rent expense totaled \$39,627 and \$41,615 in 2017 and 2016, respectively.

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

2018	\$	5,836
2019		1,217
	\$	<u>7,053</u>

### Note 6—Commitments and contingencies

The Organization is periodically subject to legal actions which arise in the course of business. Management is unable to predict the ultimate outcome of current litigation outstanding but does not believe an ultimate liability with respect to current litigation will be material to the operating results or financial position of the Organization. As a result, no accrual for any liability is included in the financial statements.

### Note 7—Future accounting pronouncements

The FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, effective for fiscal years beginning after December 15, 2017. The pronouncement changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The pronouncement includes qualitative and quantitative requirements in the following areas: Net asset classes, investment return, expenses and liquidity, and availability of resources. Management is currently evaluating the impact of this standard on the Organization’s financial statements.

The FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, generally effective for fiscal years beginning after December 15, 2018. The amendments in ASU 2018-08 provide guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. Management is currently evaluating the impact of this standard on the Organization’s financial statements.