

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2007 and 2006

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

TABLE OF CONTENTS

Independent Auditor's Report	2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 13



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Big Brothers/Big Sisters of Middle Tennessee (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers/Big Sisters of Middle Tennessee as of December 31, 2007 and 2006, 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.

Frasier, Dean & Howard, PLLC

August 14, 2008
Nashville, Tennessee

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	2007			2006
	Current Operations	Land, Buildings and Equipment	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 61,874	\$ 1,020,911	\$ 1,082,785	\$ 884,817
Investments	36,845	84,534	121,379	113,531
Contributions receivable	229,252	10,650	239,902	69,494
Grants receivable	215,727	-	215,727	261,462
Prepaid expenses and other	14,234	-	14,234	5,814
Total current assets	557,932	1,116,095	1,674,027	1,335,118
Contributions receivable, net	60,305	-	60,305	19,120
Land, buildings and equipment, net	-	335,432	335,432	333,386
Total assets	<u>\$ 618,237</u>	<u>\$ 1,451,527</u>	<u>\$ 2,069,764</u>	<u>\$ 1,687,624</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 46,462	\$ -	\$ 46,462	\$ 29,287
Grant payable	70,285	-	70,285	59,900
Total current liabilities	116,747	-	116,747	89,187
Net assets:				
Unrestricted	211,933	617,723	829,656	867,733
Temporarily restricted	289,557	833,804	1,123,361	730,704
Total net assets	501,490	1,451,527	1,953,017	1,598,437
Total liabilities and net assets	<u>\$ 618,237</u>	<u>\$ 1,451,527</u>	<u>\$ 2,069,764</u>	<u>\$ 1,687,624</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions	\$ 330,223	\$ 676,558	\$ 1,006,781
Federal grants and fees	742,675	-	742,675
Grants - other	565,532	-	565,532
Fundraising events	239,781	-	239,781
In-kind	183,210	-	183,210
United Way	46,790	-	46,790
Investment income	16,526	-	16,526
Net assets released from restrictions	283,901	(283,901)	-
	<u>2,408,638</u>	<u>392,657</u>	<u>2,801,295</u>
Total revenue, gains, and other support			
Expenses:			
Program services:			
Big Brother/Big Sister	1,261,609	-	1,261,609
Mentoring	120,838	-	120,838
AMACHI	702,001	-	702,001
	<u>2,084,448</u>	<u>-</u>	<u>2,084,448</u>
Total program services			
Supporting services:			
Management and general	175,727	-	175,727
Fundraising	167,650	-	167,650
	<u>343,377</u>	<u>-</u>	<u>343,377</u>
Total supporting services			
National program fees	18,890	-	18,890
	<u>2,446,715</u>	<u>-</u>	<u>2,446,715</u>
Total expenses			
Change in net assets	(38,077)	392,657	354,580
Net assets at beginning of year	867,733	730,704	1,598,437
Net assets at end of year	<u>\$ 829,656</u>	<u>\$ 1,123,361</u>	<u>\$ 1,953,017</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions	\$ 216,387	\$364,257	\$ 580,644
Fundraising events	184,280	-	184,280
In-kind	128,477	-	128,477
Federal grants and fees	1,481,561	-	1,481,561
United Way	57,590	-	57,590
Grants - other	357,502	-	357,502
Investment income	9,555	-	9,555
Gain on sale of fixed assets	11,100	-	11,100
Net assets released from restrictions	68,070	(68,070)	-
	<u>2,514,522</u>	<u>296,187</u>	<u>2,810,709</u>
Total revenue, gains, and other support			
Expenses:			
Program services:			
Big Brother/Big Sister	697,966	-	697,966
Mentoring	121,077	-	121,077
AMACHI	1,275,421	-	1,275,421
	<u>2,094,464</u>	<u>-</u>	<u>2,094,464</u>
Total program services			
Supporting services:			
Management and general	169,737	-	169,737
Fundraising	177,327	-	177,327
	<u>347,064</u>	<u>-</u>	<u>347,064</u>
Total supporting services			
National program fees	14,494	-	14,494
	<u>2,456,022</u>	<u>-</u>	<u>2,456,022</u>
Total expenses			
Change in net assets	58,500	296,187	354,687
Net assets at beginning of year	809,233	434,517	1,243,750
Net assets at end of year	<u>\$ 867,733</u>	<u>\$ 730,704</u>	<u>\$ 1,598,437</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2007

	Program Services			Supporting Services			2007 Total Program and Supporting Services		
	Big Brother/ Big Sister	Mentoring	Amachi	Total Program Services	Management and General	Fund Raising		Total Supporting Services	National Program Fees
Salaries	\$ 763,149	\$ 85,819	\$ 237,743	\$ 1,086,711	\$ 120,966	\$ -	\$ 120,966	\$ -	\$ 1,207,677
Payroll taxes	61,048	7,989	17,818	86,855	4,707	-	4,707	-	91,562
Employee benefits	94,458	4,115	34,453	133,026	2,379	-	2,379	-	135,405
Total salaries and related expenses	918,655	97,923	290,014	1,306,592	128,052	-	128,052	-	1,434,644
Subrecipient expenditures	-	-	299,938	299,938	-	-	-	-	299,938
In-kind activities	88,443	-	-	88,443	-	73,923	73,923	-	162,366
Other	34,535	13,945	9,214	57,694	7,943	71,405	79,348	-	137,042
Rent (including \$34,920 in-kind)	36,551	-	37,861	74,412	-	-	-	-	74,412
Travel	42,644	6,854	15,685	65,183	-	-	-	-	65,183
Insurance	47,317	-	15,871	63,188	-	-	-	-	63,188
Professional fees	-	-	-	-	35,532	18,477	54,009	-	54,009
Supplies	35,982	2,038	13,044	51,064	-	229	229	-	51,293
Activities	20,843	-	6,015	26,858	-	-	-	-	26,858
National program fees	-	-	-	-	-	-	-	18,890	18,890
Telephone	8,955	-	5,931	14,886	-	-	-	-	14,886
Equipment rental and maintenance	10,525	-	3,680	14,205	-	-	-	-	14,205
Conferences and meetings	10,220	-	1,273	11,493	-	-	-	-	11,493
Postage	6,939	-	3,475	10,414	-	-	-	-	10,414
Bowling fees and prizes	-	-	-	-	-	3,616	3,616	-	3,616
Printing	-	78	-	78	-	-	-	-	78
Total other expenses	342,954	22,915	411,987	777,856	43,475	167,650	211,125	18,890	1,007,871
Total expenses before depreciation	1,261,609	120,838	702,001	2,084,448	171,527	167,650	339,177	18,890	2,442,515
Depreciation expense	-	-	-	-	4,200	-	4,200	-	4,200
Total expenses	\$ 1,261,609	\$ 120,838	\$ 702,001	\$ 2,084,448	\$ 175,727	\$ 167,650	\$ 343,377	\$ 18,890	\$ 2,446,715

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2006

	Program Services			Total Program Services	Supporting Services			National Program Fees	2006 Total Program and Supporting Services and National Program Fees
	Big Brother/ Big Sister	Mentoring	Amachi		Management and General	Fund Raising	Total Supporting Services		
Salaries	\$ 465,285	\$ 83,310	\$ 375,543	\$ 924,138	\$ 121,761	\$ -	\$ 121,761	\$ -	\$ 1,045,899
Payroll taxes	38,636	7,525	28,456	74,617	5,467	-	5,467	-	80,084
Employee benefits	43,241	3,820	49,826	96,887	1,814	-	1,814	-	98,701
Total salaries and related expenses	547,162	94,655	453,825	1,095,642	129,042	-	129,042	-	1,224,684
Subrecipient expenditures	-	-	644,870	644,870	-	-	-	-	644,870
In-kind activities	-	-	-	-	-	93,557	93,557	-	93,557
Rent	34,920	-	35,633	70,553	-	-	-	-	70,553
Professional fees	-	-	-	-	28,903	27,557	56,460	-	56,460
Other	14,541	14,808	26,327	55,676	3,466	34,426	37,892	-	93,568
Supplies	18,459	2,850	22,732	44,041	-	-	-	-	44,041
Insurance	23,125	-	21,921	45,046	-	-	-	-	45,046
Travel	22,479	8,764	28,276	59,519	-	-	-	-	59,519
Telephone	8,160	-	14,529	22,689	-	-	-	-	22,689
Activities	11,211	-	11,421	22,632	-	-	-	-	22,632
National program fees	-	-	-	-	-	-	-	14,494	14,494
Printing	2,585	-	3,303	5,888	-	6,743	6,743	-	12,631
Equipment rental and maintenance	5,180	-	4,842	10,022	-	-	-	-	10,022
Postage	5,470	-	5,050	10,520	-	-	-	-	10,520
Bowling fees and prizes	-	-	-	-	-	15,044	15,044	-	15,044
Conferences and meetings	4,674	-	2,692	7,366	-	-	-	-	7,366
Total other expenses	150,804	26,422	821,596	998,822	32,369	177,327	209,696	14,494	1,223,012
Total expenses before depreciation	697,966	121,077	1,275,421	2,094,464	161,411	177,327	338,738	14,494	2,447,696
Depreciation expense	-	-	-	-	8,326	-	8,326	-	8,326
Total expenses	\$ 697,966	\$ 121,077	\$ 1,275,421	\$ 2,094,464	\$ 169,737	\$ 177,327	\$ 347,064	\$ 14,494	\$ 2,456,022

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 354,580	\$ 354,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,200	8,326
Realized / unrealized gains on investments	(5,804)	(5,449)
Gain on sale of assets	-	(11,100)
Changes in operating assets and liabilities:		
Contributions receivable, net	(211,593)	78,851
Grants receivable	45,735	(111,562)
Prepaid expenses and other	(8,420)	419
Accounts payable and accrued expenses	27,560	(2,137)
Grant payable	<u>-</u>	<u>(30,100)</u>
Net cash provided by operating activities	<u>206,258</u>	<u>281,935</u>
Cash flows from investing activities:		
Purchases of investments	(2,044)	(378)
Purchase of equipment	(6,246)	(38,843)
Proceeds from sale of fixed assets	<u>-</u>	<u>11,100</u>
Net cash used in investing activities	<u>(8,290)</u>	<u>(28,121)</u>
Net increase in cash and cash equivalents	197,968	253,814
Cash and cash equivalents at beginning of year	<u>884,817</u>	<u>631,003</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,082,785</u></u>	<u><u>\$ 884,817</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2007 and 2006

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 1923. The Organization provides programs and services to match adult volunteer mentors with children from primarily single-parent homes throughout Middle Tennessee.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 statement of activities as net assets released from restrictions. 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.

Contributions

The Organization accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, 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.

Investment Securities

The Organization accounts for investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

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.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2007 and 2006

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

Property and Depreciation

The Organization generally capitalizes an asset if its life is estimated to be one year or greater and the cost is \$500 or greater. Property 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.

Income Taxes

The Organization is exempt from federal and state 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.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Amounts for donated services are not reflected in the 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Fundraising breakfast pledges	\$ 177,155	\$ 61,065
Capital campaign receivable	10,650	22,250
Golf tournament proceeds receivable	54,216	11,299
Other contributions	<u>75,886</u>	<u>-</u>
	317,907	94,614
Less allowance for doubtful accounts	<u>(17,700)</u>	<u>(6,000)</u>
	<u>\$ 300,207</u>	<u>\$ 88,614</u>
Receivable in less than one year	\$ 239,902	\$ 69,494
Receivable in one to five years	<u>60,305</u>	<u>19,120</u>
	<u>\$ 300,207</u>	<u>\$ 88,614</u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2007 and 2006

NOTE 3 – INVESTMENTS

Investments are stated at fair value (which approximates cost) and consist of the following as of December 31:

	<u>2007</u>	<u>2006</u>
Certificate of deposit, interest at 2.75%, renewal January 2008, matures July 2008	\$ 84,534	\$ 81,371
Mutual funds and other	<u>36,845</u>	<u>32,160</u>
	<u>\$ 121,379</u>	<u>\$ 113,531</u>

Investment income is comprised of the following for the years ended December 31:

	<u>2007</u>	<u>2006</u>
Net appreciation on investments	\$ 5,804	\$ 5,447
Interest and dividends	<u>10,722</u>	<u>4,108</u>
	<u>\$ 16,526</u>	<u>\$ 9,555</u>

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at December 31:

	<u>2007</u>	<u>2006</u>
Land	\$ 301,559	\$ 301,559
Equipment	<u>69,557</u>	<u>63,310</u>
	371,116	364,869
Less accumulated depreciation	<u>(35,684)</u>	<u>(31,483)</u>
	<u>\$ 335,432</u>	<u>\$ 333,386</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Future building expansion	\$ 823,154	\$ 617,090
Contribution receivable (time restriction)	<u>300,207</u>	<u>113,614</u>
	<u>\$1,123,361</u>	<u>\$ 730,704</u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2007 and 2006

NOTE 6 – ALLOCATION OF FUNCTIONAL EXPENSES

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

NOTE 7 – 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. Amounts included in revenue from Federal grants totaled \$742,675 and \$1,481,561 in 2007 and 2006, respectively.

The Organization had cash deposits in excess of federally insured limits as of December 31, 2007 and 2006. Credit risk is managed by maintaining all deposits in high quality financial institutions.

NOTE 8 – LEASES

The Organization has entered into non-cancelable operating lease agreements for certain office equipment. Additionally, the Organization has a month to month operating lease agreement for its office facility. Rent expense totaled \$74,412 (including \$34,920 in-kind) and \$70,553 in 2007 and 2006, respectively.

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

2008	\$ 5,568
2009	5,568
2010	5,568
2011	5,568
2012	1,392
Thereafter	<u>-</u>
	<u>\$ 23,664</u>

NOTE 9 – LINE OF CREDIT

The Organization has a line of credit agreement with a bank, under which the Organization may borrow up to \$200,000. The interest rate is variable, based on the prime rate less one percent. This arrangement matures July 1, 2008. No borrowings were made under this arrangement at December 31, 2007 and 2006.

NOTE 10 – EMPLOYEE BENEFIT PLAN

The Organization has a tax sheltered investment plan covering fulltime employees. Following the completion of one year of employment, employees become eligible for a match of up to 3% of the employee's contribution. Total contributions made to the plan were \$19,819 and \$8,696 for the years ended December 31, 2007 and 2006.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2007 and 2006

NOTE 11 – SUBSEQUENT EVENTS

In April 2008, the Organization sold its land to an unrelated third party for approximately \$630,000. The proceeds from this sale were used, along with other capital campaign funds, to purchase office space located in Nashville, Tennessee for approximately \$1,225,000. The purchase of this new property settled in June 2008. The Organization plans to move into this location in November 2008.