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

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

December 31, 2004 and 2003

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Big Brothers/Big Sisters of Middle 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, 2004 and 2003, 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 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, 2004 and 2003, 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

May 26, 2005

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2004 and 2003

| | 2004 | | | 2003 |
|---------------------------------------|-----------------------|----------------------------------|-------------------|-------------------|
| | Current Operations | Land, Buildings and Equipment | Total | Total |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 144,553 | \$ 175,340 | \$ 319,893 | \$ 199,127 |
| Investments | 26,477 | 78,197 | 104,674 | 102,179 |
| Accounts receivable - United Way | 16,806 | - | 16,806 | 24,332 |
| Contributions receivable | 31,630 | 85,514 | 117,144 | 50,350 |
| Fees receivable from state agencies | 10,356 | - | 10,356 | 3,062 |
| Prepaid expenses and other | 11,426 | - | 11,426 | 7,572 |
| Total current assets | 241,248 | 339,051 | 580,299 | 386,622 |
| Contributions receivable | 4,100 | 124,476 | 128,576 | 17,585 |
| Land, buildings and equipment, net | - | 222,273 | 222,273 | 225,686 |
| Total assets | <u>\$ 245,348</u> | <u>\$ 685,800</u> | <u>\$ 931,148</u> | <u>\$ 629,893</u> |
| Liabilities and Net Assets | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 10,357 | \$ - | \$ 10,357 | \$ 18,781 |
| Note payable - current portion | - | 8,330 | 8,330 | 7,562 |
| Total current liabilities | 10,357 | 8,330 | 18,687 | 26,343 |
| Long-term liabilities: | | | | |
| Note payable | - | 30,117 | 30,117 | 38,572 |
| Total liabilities | 10,357 | 38,447 | 48,804 | 64,915 |
| Net assets: | | | | |
| Unrestricted | 182,455 | 143,718 | 326,173 | 347,065 |
| Temporarily restricted | 52,536 | 503,635 | 556,171 | 217,913 |
| Total net assets | 234,991 | 647,353 | 882,344 | 564,978 |
| Total liabilities and net assets | <u>\$ 245,348</u> | <u>\$ 685,800</u> | <u>\$ 931,148</u> | <u>\$ 629,893</u> |

See accompanying notes.

BIG BROTHERS/BIG SISTER OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year ended December 31, 2004

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|--------------------------|-----------------------------------|--------------------------|
| Revenue, gains and other support: | | | |
| Contributions | \$ 341,523 | \$ 315,405 | \$ 656,928 |
| Federal grants and fees | 127,263 | - | 127,263 |
| Fundraising events | 111,614 | - | 111,614 |
| United Way | 41,414 | 16,806 | 58,220 |
| Wilson County grants and contributions | 49,152 | - | 49,152 |
| Grants - other | 34,440 | - | 34,440 |
| Investment income | 4,717 | - | 4,717 |
| Net assets released from restrictions | <u>7,002</u> | <u>(7,002)</u> | <u>-</u> |
| Total revenue, gains, and other support | <u>717,125</u> | <u>325,209</u> | <u>1,042,334</u> |
| Expenses: | | | |
| Program services: | | | |
| Big Brother/Big Sister | 365,353 | - | 365,353 |
| Mentoring | 107,151 | - | 107,151 |
| Wilson County | 53,732 | - | 53,732 |
| Up 2 Us | 19,150 | - | 19,150 |
| Amachi | 18,457 | - | 18,457 |
| Amigos | <u>14,316</u> | <u>-</u> | <u>14,316</u> |
| Total program services | <u>578,159</u> | <u>-</u> | <u>578,159</u> |
| Supporting services: | | | |
| Management and general | 76,137 | - | 76,137 |
| Fundraising | <u>63,321</u> | <u>-</u> | <u>63,321</u> |
| Total supporting services | <u>139,458</u> | <u>-</u> | <u>139,458</u> |
| National program fees | <u>7,351</u> | <u>-</u> | <u>7,351</u> |
| Total expenses | <u>724,968</u> | <u>-</u> | <u>724,968</u> |
| Change in net assets | (7,843) | 325,209 | 317,366 |
| Net assets at beginning of year | <u>347,065</u> | <u>217,913</u> | <u>564,978</u> |
| Net assets at end of year | <u><u>\$ 339,222</u></u> | <u><u>\$ 543,122</u></u> | <u><u>\$ 882,344</u></u> |

See accompanying notes.

BIG BROTHERS/BIG SISTER OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year ended December 31, 2003

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|------------------------------|-----------------------------------|------------------------------|
| Revenue, gains and other support: | | | |
| Contributions | \$ 167,621 | \$ 57,475 | \$ 225,096 |
| Fundraising events | 131,725 | - | 131,725 |
| Grants - other | 104,692 | - | 104,692 |
| Federal grants and fees | 86,602 | - | 86,602 |
| United Way | 48,476 | 24,332 | 72,808 |
| Wilson County grants and contributions | 58,227 | - | 58,227 |
| Investment income | 457 | - | 457 |
| Net assets released from restrictions | <u>103,993</u> | <u>(103,993)</u> | <u>-</u> |
| Total revenue, gains, and other support | <u>701,793</u> | <u>(22,186)</u> | <u>679,607</u> |
| Expenses: | | | |
| Program services: | | | |
| Big Brother/Big Sister | 359,322 | - | 359,322 |
| Mentoring | 95,114 | - | 95,114 |
| Wilson County | 55,523 | - | 55,523 |
| Amigos | <u>14,810</u> | <u>-</u> | <u>14,810</u> |
| Total program services | <u>524,769</u> | <u>-</u> | <u>524,769</u> |
| Supporting services: | | | |
| Management and general | 75,541 | - | 75,541 |
| Fundraising | <u>51,166</u> | <u>-</u> | <u>51,166</u> |
| Total supporting services | <u>126,707</u> | <u>-</u> | <u>126,707</u> |
| National program fees | <u>7,544</u> | <u>-</u> | <u>7,544</u> |
| Total expenses | <u>659,020</u> | <u>-</u> | <u>659,020</u> |
| Change in net assets | 42,773 | (22,186) | 20,587 |
| Net assets at beginning of year | <u>304,292</u> | <u>240,099</u> | <u>544,391</u> |
| Net assets at end of year | <u><u>\$ 347,065</u></u> | <u><u>\$ 217,913</u></u> | <u><u>\$ 564,978</u></u> |

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2004

| | Program Services | | | | | | Supporting Services | | | | 2004 Total Program and Supporting Services and National Program Fees | |
|--|----------------------------|------------|------------------|-----------|-----------|-----------|------------------------------|---------------------------|-----------------|---------------------------------|---|-----------------------------|
| | Big Brother/ Big Sister | Mentoring | Wilson County | Up 2 Us | AMACHI | Amigos | Total Program Services | Management and General | Fund Raising | Total Supporting Services | | National Program Fees |
| Salaries | \$ 271,519 | \$ 79,072 | \$ 41,613 | \$ 17,558 | \$ 16,865 | \$ 11,400 | \$ 438,027 | \$ 12,762 | \$ - | \$ 12,762 | \$ - | \$ 450,789 |
| Payroll taxes | 21,749 | 10,609 | 3,183 | - | 1,290 | 872 | 37,703 | - | - | - | - | 37,703 |
| Employee benefits | 15,923 | - | - | 1,572 | - | - | 17,495 | - | - | - | - | 17,495 |
| Total salaries and related expenses | 309,191 | 89,681 | 44,796 | 19,130 | 18,155 | 12,272 | 493,225 | 12,762 | - | 12,762 | - | 505,987 |
| Professional fees | - | - | 567 | - | 148 | - | 715 | 24,710 | 18,684 | 43,394 | - | 44,109 |
| Insurance | 13,443 | - | - | - | - | - | 13,443 | 8,879 | - | 8,879 | - | 22,322 |
| Other | 3,261 | 11,473 | - | 18 | - | - | 14,752 | 2,151 | 4,165 | 6,316 | - | 21,068 |
| In-kind activities | - | - | - | - | - | - | - | - | 17,650 | 17,650 | - | 17,650 |
| Travel | 10,315 | 3,935 | - | - | 14 | - | 14,264 | - | - | - | - | 14,264 |
| Activities-Wilson County | - | - | - | - | - | - | - | - | 12,104 | 12,104 | - | 12,104 |
| Supplies | 7,904 | 1,856 | 2,095 | - | - | - | 11,855 | - | - | - | - | 11,855 |
| Telephone | 7,967 | - | 1,070 | - | - | 527 | 9,564 | - | - | - | - | 9,564 |
| Equipment rental and maintenance | 6,221 | - | 1,415 | - | 140 | - | 7,776 | 273 | - | 273 | - | 8,049 |
| Bowling fees and prizes | - | - | - | - | - | - | - | - | 7,439 | 7,439 | - | 7,439 |
| National program fees | - | - | - | - | - | - | - | - | - | - | 7,351 | 7,351 |
| Postage | 3,582 | - | 74 | 2 | - | - | 3,658 | - | 1,934 | 1,934 | - | 5,592 |
| Utilities | - | - | 715 | - | - | - | 715 | 4,303 | - | 4,303 | - | 5,018 |
| Printing | 3,014 | 206 | - | - | - | - | 3,220 | - | 1,345 | 1,345 | - | 4,565 |
| Building maintenance | - | - | - | - | - | - | - | 3,198 | - | 3,198 | - | 3,198 |
| Janitorial service | - | - | - | - | - | - | - | 3,120 | - | 3,120 | - | 3,120 |
| Rent | - | - | 3,000 | - | - | - | 3,000 | - | - | - | - | 3,000 |
| Conferences and meetings | 455 | - | - | - | - | - | 455 | 2,180 | - | 2,180 | - | 2,635 |
| Interest expense | - | - | - | - | - | - | - | 2,616 | - | 2,616 | - | 2,616 |
| Activities | - | - | - | - | - | 1,517 | 1,517 | - | - | - | - | 1,517 |
| Total other expenses | 56,162 | 17,470 | 8,936 | 20 | 302 | 2,044 | 84,934 | 51,430 | 63,321 | 114,751 | 7,351 | 207,036 |
| Total expenses before depreciation | 365,353 | 107,151 | 53,732 | 19,150 | 18,457 | 14,316 | 578,159 | 64,192 | 63,321 | 127,513 | 7,351 | 713,023 |
| Depreciation expense | - | - | - | - | - | - | - | 11,945 | - | 11,945 | - | 11,945 |
| Total expenses | \$ 365,353 | \$ 107,151 | \$ 53,732 | \$ 19,150 | \$ 18,457 | \$ 14,316 | \$ 578,159 | \$ 76,137 | \$ 63,321 | \$ 139,458 | \$ 7,351 | \$ 724,968 |

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2003

| | Program Services | | | | Supporting Services | | | | 2003 Total | |
|--|----------------------------|-----------|------------------|-----------|------------------------------|---------------------------|-----------------|---------------------------------|-----------------------------|--|
| | Big Brother/ Big Sister | Mentoring | Wilson County | Amigos | Total Program Services | Management and General | Fund Raising | Total Supporting Services | National Program Fees | Program and Supporting Services and National Program Fees |
| Salaries | \$ 280,974 | \$ 69,188 | \$ 43,196 | \$ 11,400 | \$ 404,758 | \$ 15,491 | \$ - | \$ 15,491 | \$ - | \$ 420,249 |
| Payroll taxes | 22,681 | 9,324 | 3,304 | 872 | 36,181 | - | - | - | - | 36,181 |
| Employee benefits | 12,454 | - | - | - | 12,454 | - | - | - | - | 12,454 |
| Total salaries and related expenses | 316,109 | 78,512 | 46,500 | 12,272 | 453,393 | 15,491 | - | 15,491 | - | 468,884 |
| Professional fees | - | - | 540 | - | 540 | 21,166 | 19,476 | 40,642 | - | 41,182 |
| Insurance | 11,524 | - | - | - | 11,524 | 5,912 | - | 5,912 | - | 17,436 |
| Other | 1,868 | 11,058 | 149 | - | 13,075 | 3,166 | 13,234 | 16,400 | - | 29,475 |
| In-kind activities | - | - | - | - | - | - | 3,479 | 3,479 | - | 3,479 |
| Travel | 5,375 | 4,328 | - | 89 | 9,792 | - | - | - | - | 9,792 |
| Activities-Wilson County | - | - | - | - | - | - | 5,354 | 5,354 | - | 5,354 |
| Supplies | 5,867 | 630 | 725 | - | 7,222 | - | - | - | - | 7,222 |
| Telephone | 6,609 | - | 1,862 | 573 | 9,044 | - | - | - | - | 9,044 |
| Equipment rental and maintenance | 5,852 | - | 1,454 | - | 7,306 | - | - | - | - | 7,306 |
| Bowling fees and prizes | - | - | - | - | - | - | 9,623 | 9,623 | - | 9,623 |
| National program fees | - | - | - | - | - | - | - | - | 7,544 | 7,544 |
| Postage | 2,897 | - | 245 | 79 | 3,221 | - | - | - | - | 3,221 |
| Utilities | - | - | 783 | - | 783 | 3,887 | - | 3,887 | - | 4,670 |
| Printing | 2,488 | 586 | 265 | - | 3,339 | - | - | - | - | 3,339 |
| Building maintenance | - | - | - | - | - | 3,492 | - | 3,492 | - | 3,492 |
| Janitorial service | - | - | - | - | - | 3,120 | - | 3,120 | - | 3,120 |
| Rent | - | - | 3,000 | - | 3,000 | - | - | - | - | 3,000 |
| Conferences and meetings | 733 | - | - | - | 733 | 2,273 | - | 2,273 | - | 3,006 |
| Interest expense | - | - | - | - | - | 3,431 | - | 3,431 | - | 3,431 |
| Activities | - | - | - | 1,797 | 1,797 | - | - | - | - | 1,797 |
| Total other expenses | 43,213 | 16,602 | 9,023 | 2,538 | 71,376 | 46,447 | 51,166 | 97,613 | 7,544 | 176,533 |
| Total expenses before depreciation | 359,322 | 95,114 | 55,523 | 14,810 | 524,769 | 61,938 | 51,166 | 113,104 | 7,544 | 645,417 |
| Depreciation expense | - | - | - | - | - | 13,603 | - | 13,603 | - | 13,603 |
| Total expenses | \$ 359,322 | \$ 95,114 | \$ 55,523 | \$ 14,810 | \$ 524,769 | \$ 75,541 | \$ 51,166 | \$ 126,707 | \$ 7,544 | \$ 659,020 |

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
Years ended December 31, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|--|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 317,366 | \$ 20,587 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 11,945 | 13,603 |
| Unrealized (gains) losses on investments | (1,308) | 3,745 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 7,526 | 6,121 |
| Contributions receivable | (177,785) | 16,065 |
| Fees receivable from state agencies | (7,294) | 10,833 |
| Prepaid expenses and other | (3,854) | 2,080 |
| Accounts payable and accrued expenses | <u>(8,424)</u> | <u>8,206</u> |
| Net cash provided by operating activities | <u>138,172</u> | <u>81,240</u> |
| Cash flows from investing activities: | | |
| Purchases of investments, net | (1,187) | (2,379) |
| Sale of investments | - | 4,858 |
| Purchase of equipment | <u>(8,532)</u> | <u>(1,499)</u> |
| Net cash (used in) provided by investing activities | <u>(9,719)</u> | <u>980</u> |
| Cash flows from financing activities: | | |
| Payments on note payable | <u>(7,687)</u> | <u>(7,066)</u> |
| Net cash used in financing activities | <u>(7,687)</u> | <u>(7,066)</u> |
| Net increase in cash and cash equivalents | 120,766 | 75,154 |
| Cash and cash equivalents at beginning of year | <u>199,127</u> | <u>123,973</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 319,893</u></u> | <u><u>\$ 199,127</u></u> |
| Supplemental disclosure: | | |
| Cash paid during the year for interest | <u><u>\$ 2,625</u></u> | <u><u>\$ 3,431</u></u> |

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2004 and 2003

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 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.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2004 and 2003

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 three months or less to be cash and cash equivalents.

Contributions Receivable

Contributions receivable consist of the amounts described in Note 2 and are considered by management to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

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.

Concentrations

The Organization had cash deposits in excess of federally insured limits as of December 31, 2004 and 2003. Credit risk is managed by maintaining all deposits in high quality financial institutions.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2004 and 2003

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

| | <u>2004</u> | <u>2003</u> |
|-------------------------------------|-------------------|------------------|
| Capital campaign receivable | \$ 209,990 | \$ 10,460 |
| Golf tournament proceeds receivable | 25,510 | 42,830 |
| Other | <u>10,220</u> | <u>14,645</u> |
| | <u>\$ 245,720</u> | <u>\$ 67,935</u> |
| Receivable in less than one year | \$ 117,144 | \$ 50,350 |
| Receivable in one to five years | <u>128,576</u> | <u>17,585</u> |
| | <u>\$ 245,720</u> | <u>\$ 67,935</u> |

During 2003, the Organization began a three-year capital campaign with a goal of \$1.5 million. Unconditional promises to give outstanding as of December 31, 2004 and 2003 made in support of the campaign totaled \$209,990 and \$10,460, respectively.

NOTE 3 - INVESTMENTS

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

| | <u>2004</u> | <u>2003</u> |
|---|-------------------|-------------------|
| Certificate of deposit, interest at 2.765%, renewed April 2005 matures July 2005 | \$ 78,197 | \$ 77,010 |
| Mutual funds and other | <u>26,477</u> | <u>25,169</u> |
| | <u>\$ 104,674</u> | <u>\$ 102,179</u> |

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

| | <u>2004</u> | <u>2003</u> |
|---|-------------------|-------------------|
| Future building expansion | \$ 293,645 | \$ 125,646 |
| United Way contributions (time restriction) | 16,806 | 24,332 |
| Contribution receivable (time restriction) | <u>245,720</u> | <u>67,935</u> |
| | <u>\$ 556,171</u> | <u>\$ 217,913</u> |

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2004 and 2003

NOTE 5 - 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 6 - CONCENTRATIONS

The Organization receives a substantial amount of its support from two special events (Arby's Charity Tour golf tournament and Bowl for Kids Sake). A significant reduction in the level of any of this support, if it were to occur, could have an adverse impact on the Organization's programs and services. At December 31, 2004 and 2003, the Organization had \$25,510 and \$42,830 receivable from these events and organizations, respectively.

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of:

| | <u>2004</u> | <u>2003</u> |
|-------------------------------|-------------------|-------------------|
| Land | \$ 154,085 | \$ 154,085 |
| Building | 133,435 | 133,435 |
| Equipment | 86,247 | 77,715 |
| Vehicles | <u>19,853</u> | <u>19,853</u> |
| | 393,620 | 385,088 |
| Less accumulated depreciation | <u>(171,347)</u> | <u>(159,402)</u> |
| | <u>\$ 222,273</u> | <u>\$ 225,686</u> |

NOTE 8 - NOTE PAYABLE

Note payable consists of an installment mortgage note with a bank. The note currently provides for interest at 5.38%. The interest rate is adjustable every five years to an annual amount equal to the lesser of 12.5% or the applicable U.S. Treasury rate plus 3.5%. Principal and interest are due in monthly installments of \$851. The note is secured by land acquired for the office facility.

Scheduled maturities of the note payable are as follows:

| | |
|------|------------------|
| 2005 | \$ 8,330 |
| 2006 | 8,789 |
| 2007 | 9,273 |
| 2008 | <u>12,055</u> |
| | <u>\$ 38,447</u> |

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2004 and 2003

NOTE 9 - LEASES

The Organization has entered into a non-cancelable operating lease agreement for office equipment. Additionally, effective January 2005, the Organization entered into an operating lease agreement for its office facility. Rent expense totaled \$8,049 and \$7,306 in 2004 and 2003, respectively.

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

| | |
|------|------------------|
| 2005 | \$ 36,345 |
| 2006 | 36,345 |
| 2007 | <u>354</u> |
| | <u>\$ 73,044</u> |

NOTE 10 – SUBSEQUENT EVENT

Subsequent to December 31, 2004, the Organization sold its land and building for approximately \$330,000. A gain of approximately \$157,000 will be recognized in the 2005 financial statements.