

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

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

December 31, 2008 and 2007

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 statements of financial position of Big Brothers/Big Sisters of Middle Tennessee (a nonprofit organization) as of December 31, 2008 and 2007, 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, 2008 and 2007, 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

June 5, 2009
Nashville, Tennessee

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 356,291	\$ 1,082,785
Investments	25,447	121,379
Contributions receivable	147,759	239,902
Grants receivable	16,660	215,727
Prepaid expenses and other	19,999	14,234
	<u>566,156</u>	<u>1,674,027</u>
Total current assets		
	566,156	1,674,027
Contributions receivable, net	82,391	60,305
Land, buildings and equipment, net	1,794,598	335,432
	<u>1,794,598</u>	<u>335,432</u>
Total assets	<u>\$ 2,443,145</u>	<u>\$ 2,069,764</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 162,379	\$ 46,462
Deferred revenue	18,474	-
Grant payable	36,185	70,285
	<u>217,038</u>	<u>116,747</u>
Total current liabilities		
	217,038	116,747
Net assets:		
Unrestricted	1,995,957	829,656
Temporarily restricted	230,150	1,123,361
	<u>2,226,107</u>	<u>1,953,017</u>
Total net assets		
	2,226,107	1,953,017
Total liabilities and net assets	<u>\$ 2,443,145</u>	<u>\$ 2,069,764</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Federal grants and fees	\$ 1,230,171	\$ -	\$ 1,230,171
Grants - other	740,646	-	740,646
Contributions	504,659	122,195	626,854
Gain on sale of fixed assets	304,606	-	304,606
Fundraising events	289,088	-	289,088
In-kind	195,508	-	195,508
United Way	96,237	-	96,237
Net assets released from restrictions	1,015,406	(1,015,406)	-
Investment loss	(4,172)	-	(4,172)
	<u>4,372,149</u>	<u>(893,211)</u>	<u>3,478,938</u>
Total revenue, gains, and other support			
Expenses:			
Program services:			
Big Brother/Big Sister	1,318,306	-	1,318,306
Mentoring	142,735	-	142,735
AMACHI	1,015,791	-	1,015,791
	<u>2,476,832</u>	<u>-</u>	<u>2,476,832</u>
Total program services			
Supporting services:			
Management and general	410,621	-	410,621
Fundraising	306,442	-	306,442
	<u>717,063</u>	<u>-</u>	<u>717,063</u>
Total supporting services			
National program fees	11,953	-	11,953
	<u>3,205,848</u>	<u>-</u>	<u>3,205,848</u>
Total expenses			
Change in net assets	1,166,301	(893,211)	273,090
Net assets at beginning of year	829,656	1,123,361	1,953,017
Net assets at end of year	<u>\$ 1,995,957</u>	<u>\$ 230,150</u>	<u>\$ 2,226,107</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	<u>18,890</u>	<u>-</u>	<u>18,890</u>
Total expenses	<u>2,446,715</u>	<u>-</u>	<u>2,446,715</u>
Change in net assets	(38,077)	392,657	354,580
Net assets at beginning of year	<u>867,733</u>	<u>730,704</u>	<u>1,598,437</u>
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 FUNCTIONAL EXPENSES
Year Ended December 31, 2008

	Program Services			Supporting Services			National Program Fees	2008 Total Program and Supporting Services
Big Brother/ Big Sister	Mentoring	Amachi	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Salaries	\$ 747,622	\$ 354,998	\$ 1,207,859	\$ 326,897	\$ -	\$ 326,897	\$ -	\$ 1,534,756
Payroll taxes	77,372	26,261	112,627	-	-	-	-	112,627
Employee benefits	131,279	51,941	187,606	-	-	-	-	187,606
Total salaries and related expenses	956,273	433,200	1,508,092	326,897	-	326,897	-	1,834,989
Subrecipient expenditures								
Other	-	468,629	468,629	-	-	-	-	468,629
In-kind activities	83,503	13,844	113,296	8,483	110,932	119,415	-	232,711
Travel	13,738	-	13,738	-	176,770	176,770	-	190,508
Insurance	83,159	22,518	111,958	-	-	-	-	111,958
Rent	60,496	17,620	78,116	-	-	-	-	78,116
Professional fees	45,010	12,861	57,871	-	-	-	-	57,871
Activities	-	13,783	13,783	22,619	8,311	30,930	-	44,713
Capital	21,257	4,871	26,128	-	-	-	-	26,128
Supplies	-	-	-	26,023	-	26,023	-	26,023
Telephone	13,517	3,653	19,056	-	3,424	3,424	-	22,480
Equipment rental and maintenance	10,288	10,161	20,449	-	-	-	-	20,449
National program fees	13,882	3,187	17,069	-	-	-	-	17,069
Conferences and meetings	-	3,984	3,984	-	-	-	11,953	15,937
Postage	7,796	5,045	12,841	-	-	-	-	12,841
Bowling fees and prizes	9,387	2,435	11,822	-	-	-	-	11,822
Total other expenses	-	-	-	-	7,005	7,005	-	7,005
Total expenses before depreciation	362,033	582,591	968,740	57,125	306,442	363,567	11,953	1,344,260
Depreciation expense	1,318,306	1,015,791	2,476,832	384,022	306,442	690,464	11,953	3,179,249
Total expenses	-	-	-	26,599	-	26,599	-	26,599
	\$ 1,318,306	\$ 1,015,791	\$ 2,476,832	\$ 410,621	\$ 306,442	\$ 717,063	\$ 11,953	\$ 3,205,848

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	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
STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 273,090	\$ 354,580
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,599	4,200
Gain on sale of fixed assets	(304,606)	-
Realized / unrealized gains on investments	11,361	(5,804)
Changes in operating assets and liabilities:		
Contributions receivable, net	70,057	(211,593)
Grants receivable	199,067	45,735
Prepaid expenses and other	(5,765)	(8,420)
Accounts payable and accrued expenses	<u>100,291</u>	<u>27,560</u>
Net cash provided by operating activities	<u>370,094</u>	<u>206,258</u>
Cash flows from investing activities:		
Proceeds from retirement of fixed assets	606,165	-
Purchase of fixed assets	(1,787,324)	(6,246)
Redemptions (purchases) of investments, net	<u>84,571</u>	<u>(2,044)</u>
Net cash used in investing activities	<u>(1,096,588)</u>	<u>(8,290)</u>
Net (decrease) increase in cash and cash equivalents	(726,494)	197,968
Cash and cash equivalents at beginning of year	<u>1,082,785</u>	<u>884,817</u>
Cash and cash equivalents at end of year	<u><u>\$ 356,291</u></u>	<u><u>\$ 1,082,785</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2008 and 2007

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 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.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2008 and 2007

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. At December 31, 2008 and 2007, the Organization held cash of approximately \$64,500 and \$26,400, respectively, restricted for a federal program.

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>2008</u>	<u>2007</u>
Fundraising breakfast pledges	\$ 255,722	\$ 177,155
Capital campaign receivable	-	10,650
Golf tournament proceeds receivable	-	54,216
Other contributions	-	75,886
	<u>255,722</u>	<u>317,907</u>
Less allowance for doubtful accounts	<u>(25,572)</u>	<u>(17,700)</u>
	<u>\$ 230,150</u>	<u>\$ 300,207</u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2008 and 2007

NOTE 2 – CONTRIBUTIONS RECEIVABLE (Continued)

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 147,759	\$ 239,902
Receivable in one to five years	<u>82,391</u>	<u>60,305</u>
	<u>\$ 230,150</u>	<u>\$ 300,207</u>

NOTE 3 – INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Certificate of deposit, interest at 2.75%, matured July 2008	\$ -	\$ 84,534
Mutual funds and other	<u>25,447</u>	<u>36,845</u>
	<u>\$ 25,447</u>	<u>\$ 121,379</u>

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

	<u>2008</u>	<u>2007</u>
Net (depreciation) appreciation on investments	\$ (11,361)	\$ 5,804
Interest and dividends	<u>7,189</u>	<u>10,722</u>
	<u>\$ (4,172)</u>	<u>\$ 16,526</u>

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

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

	<u>2008</u>	<u>2007</u>
Land	\$ -	\$ 301,559
Building and improvements	1,606,115	-
Equipment	<u>226,298</u>	<u>69,557</u>
	1,832,413	371,116
Less accumulated depreciation	<u>(37,815)</u>	<u>(35,684)</u>
	<u>\$ 1,794,598</u>	<u>\$ 335,432</u>

In April 2008, the Organization sold its land to an unrelated third party for approximately \$606,000. The proceeds from this sale were used, along with other capital campaign funds, to purchase office space located in Nashville, Tennessee.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2008 and 2007

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2008</u>	<u>2007</u>
Future building expansion	\$ -	\$ 823,154
Contribution receivable (time restriction)	<u>230,150</u>	<u>300,207</u>
	<u>\$ 230,150</u>	<u>\$1,123,361</u>

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 \$1,230,171 and \$742,675 in 2008 and 2007, respectively.

The Organization had cash deposits in excess of federally insured limits during 2008 and 2007.

NOTE 8 – LEASES

The Organization has entered into non-cancelable operating lease agreements for certain office equipment. Rent expense totaled \$57,871 and \$74,412 (including \$34,920 in-kind) in 2008 and 2007, respectively.

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

2009	\$ 11,054
2010	11,054
2011	11,054
2012	11,054
2013	6,337
Thereafter	<u>540</u>
	<u>\$ 51,093</u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2008 and 2007

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 based on the prime rate minus one percent. This arrangement matures August 12, 2009. No borrowings were made under this arrangement at December 31, 2008.

The Organization has a second line of credit agreement with a bank, under which the Organization may borrow up to \$100,000. The interest rate is subject to change based on changes in the prime rate. At December 31, 2008, the interest rate was four percent. This arrangement matures November 9, 2009. No borrowings were made under this arrangement at December 31, 2008.

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 \$27,019 and \$19,791 for the years ended December 31, 2008 and 2007.