

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

FINANCIAL STATEMENTS

December 31, 2011 and 2010

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, 2011 and 2010, 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, 2011 and 2010, 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 6, 2012
Nashville, Tennessee

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 42,143	\$ 99,387
Contributions receivable	112,748	164,678
Grants receivable	37,470	83,224
Due from affiliate	22,313	-
Prepaid expenses and other	14,157	11,609
	<u>228,831</u>	<u>358,898</u>
Total current assets		
	4,625	37,690
Contributions receivable, net	1,600,036	1,663,081
Buildings and equipment, net		
	<u>\$ 1,833,492</u>	<u>\$ 2,059,669</u>
Total assets		
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 143,211	\$ 50,777
Deferred revenue	86,860	35,755
Grant payable	-	47,225
Line of credit	99,655	68,700
	<u>329,726</u>	<u>202,457</u>
Total current liabilities		
Net assets:		
Unrestricted	1,294,726	1,614,844
Temporarily restricted	209,040	242,368
	<u>1,503,766</u>	<u>1,857,212</u>
Total net assets		
	<u>\$ 1,833,492</u>	<u>\$ 2,059,669</u>
Total liabilities and net assets		

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 and fees	\$ 1,391,163	\$ -	\$ 1,391,163
Grants - other	694,600	-	694,600
Contributions	381,738	100,000	481,738
Fundraising events	362,812	-	362,812
United Way	131,762	-	131,762
In-kind	29,113	-	29,113
Investment income	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:			
Big Brother/Big Sister	1,675,714	-	1,675,714
Mentoring	106,906	-	106,906
AMACHI	744,548	-	744,548
	<u>2,527,168</u>	<u>-</u>	<u>2,527,168</u>
Total program services			
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	<u>27,000</u>	<u>-</u>	<u>27,000</u>
	<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	<u>1,614,844</u>	<u>242,368</u>	<u>1,857,212</u>
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 ACTIVITIES
Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Federal grants and fees	\$ 1,568,087	\$ -	\$ 1,568,087
Grants - other	875,580	-	875,580
Contributions	473,182	40,000	513,182
Fundraising events	298,505	-	298,505
United Way	138,970	-	138,970
In-kind	66,663	-	66,663
Investment income	861	-	861
Net assets released from restrictions	<u>123,523</u>	<u>(123,523)</u>	<u>-</u>
 Total revenue, gains, and other support	 <u>3,545,371</u>	 <u>(83,523)</u>	 <u>3,461,848</u>
Expenses:			
Program services:			
Big Brother/Big Sister	1,658,138	-	1,658,138
Mentoring	112,573	-	112,573
AMACHI	<u>991,274</u>	<u>-</u>	<u>991,274</u>
 Total program services	 <u>2,761,985</u>	 <u>-</u>	 <u>2,761,985</u>
Supporting services:			
Management and general	396,043	-	396,043
Fundraising	<u>570,030</u>	<u>-</u>	<u>570,030</u>
 Total supporting services	 <u>966,073</u>	 <u>-</u>	 <u>966,073</u>
 National program fees	 <u>20,257</u>	 <u>-</u>	 <u>20,257</u>
 Total expenses	 <u>3,748,315</u>	 <u>-</u>	 <u>3,748,315</u>
 Change in net assets	 (202,944)	 (83,523)	 (286,467)
 Net assets at beginning of year	 <u>1,817,788</u>	 <u>325,891</u>	 <u>2,143,679</u>
 Net assets at end of year	 <u>\$ 1,614,844</u>	 <u>\$ 242,368</u>	 <u>\$ 1,857,212</u>

See accompanying notes.

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

	Program Services			Supporting Services				National Program Fees	Total Expenses
	Big Brother/ Big Sister	Mentoring	AMACHI	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Salaries	\$ 1,048,245	\$ 71,362	\$ 187,996	\$ 1,307,603	\$ 178,202	\$ 314,702	\$ 492,904	\$ -	\$ 1,800,507
Payroll taxes	88,149	5,377	19,727	113,253	-	22,029	22,029	-	135,282
Employee benefits	153,329	13,061	23,186	189,576	-	40,911	40,911	-	230,487
Total salaries and related expenses	1,289,723	89,800	230,909	1,610,432	178,202	377,642	555,844	-	2,166,276
Subrecipient expenditures	-	-	366,562	366,562	-	-	-	-	366,562
Grant allocation	119,250	-	-	119,250	-	-	-	-	119,250
Fundraising event costs	-	-	-	-	-	118,884	118,884	-	118,884
Professional fees	-	-	41,670	41,670	27,639	-	27,639	-	69,309
Insurance	69,167	-	-	69,167	-	-	-	-	69,167
Other	22,823	6,466	33,435	62,724	-	3,454	3,454	-	66,178
Travel	50,422	4,641	9,463	64,526	-	-	-	-	64,526
Bad debt expense	-	-	-	-	64,123	-	64,123	-	64,123
Utilities and equipment	6,462	-	44,080	50,542	-	-	-	-	50,542
Telephone	19,449	4,442	7,707	31,598	-	-	-	-	31,598
Conferences and meetings	24,494	-	4,729	29,223	-	-	-	-	29,223
In-kind activities	-	-	-	-	-	29,113	29,113	-	29,113
Bank fees and licenses	-	-	-	-	28,475	-	28,475	-	28,475
National program fees	-	-	325	325	-	-	-	27,000	27,325
Equipment rental and maintenance	20,403	-	-	20,403	-	-	-	-	20,403
Supplies	15,010	1,557	2,743	19,310	-	-	-	-	19,310
Postage	13,678	-	1,350	15,028	-	-	-	-	15,028
Public relations	11,266	-	-	11,266	-	-	-	-	11,266
Activities	9,130	-	1,575	10,705	-	-	-	-	10,705
Rent	4,437	-	-	4,437	-	-	-	-	4,437
Total other expenses	385,991	17,106	513,639	916,736	120,237	151,451	271,688	27,000	1,215,424
Total expenses before depreciation	1,675,714	106,906	744,548	2,527,168	298,439	529,093	827,532	27,000	3,381,700
Depreciation expense	-	-	-	-	63,045	-	63,045	-	63,045
Total expenses	\$ 1,675,714	\$ 106,906	\$ 744,548	\$ 2,527,168	\$ 361,484	\$ 529,093	\$ 890,577	\$ 27,000	\$ 3,444,745

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2010

	Program Services			Supporting Services				National Program Fees	Total Expenses
	Big Brother/ Big Sister	Mentoring	AMACHI	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Salaries	\$ 938,224	\$ 83,663	\$ 219,211	\$ 1,241,098	\$ 178,780	\$ 320,750	\$ 499,530	\$ -	\$ 1,740,628
Payroll taxes	81,491	6,270	15,901	103,662	-	23,417	23,417	-	127,079
Employee benefits	171,407	6,115	30,442	207,964	-	46,978	46,978	-	254,942
Total salaries and related expenses	1,191,122	96,048	265,554	1,552,724	178,780	391,145	569,925	-	2,122,649
Subrecipient expenditures	-	-	560,237	560,237	-	-	-	-	560,237
Grant allocation	145,700	-	-	145,700	-	-	-	-	145,700
Fundraising event costs	-	-	-	-	-	108,686	108,686	-	108,686
Bad debt expense	-	-	-	-	102,754	-	102,754	-	102,754
Travel	72,336	5,064	13,789	91,189	-	-	-	-	91,189
Other	53,730	4,819	28,595	87,144	-	3,536	3,536	-	90,680
Professional fees	-	-	48,866	48,866	24,144	-	24,144	-	73,010
Insurance	66,863	-	-	66,863	-	66,663	66,663	-	66,863
In-kind activities	-	-	-	-	-	-	-	-	66,663
Utilities and equipment	6,038	-	47,846	53,884	-	-	-	-	53,884
Equipment rental and maintenance	34,666	-	-	34,666	-	-	-	-	34,666
Telephone	12,331	4,124	8,626	25,081	-	-	-	-	25,081
Conferences and meetings	17,807	-	6,326	24,133	-	-	-	-	24,133
Supplies	17,695	2,518	2,482	22,695	-	-	-	-	22,695
National program fees	-	-	-	-	-	-	-	20,257	20,257
Bank fees and licenses	-	-	-	-	18,365	-	18,365	-	18,365
Activities	10,409	-	7,333	17,742	-	-	-	-	17,742
Postage	10,594	-	1,620	12,214	-	-	-	-	12,214
Rent	9,756	-	-	9,756	-	-	-	-	9,756
Public relations	9,091	-	-	9,091	-	-	-	-	9,091
Total other expenses	467,016	16,525	725,720	1,209,261	145,263	178,885	324,148	20,257	1,553,666
Total expenses before depreciation	1,658,138	112,573	991,274	2,761,985	324,043	570,030	894,073	20,257	3,676,315
Depreciation expense	-	-	-	-	72,000	-	72,000	-	72,000
Total expenses	\$ 1,658,138	\$ 112,573	\$ 991,274	\$ 2,761,985	\$ 396,043	\$ 570,030	\$ 966,073	\$ 20,257	\$ 3,748,315

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (353,446)	\$ (286,467)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	63,045	72,000
Changes in operating assets and liabilities:		
Contributions receivable, net	84,995	63,523
Grants receivable	45,754	(25,872)
Due from affiliate	(22,313)	-
Prepaid expenses and other	(2,548)	1,510
Accounts payable and accrued expenses	92,434	25,753
Deferred revenue	51,105	-
Grant payable	(47,225)	-
Net cash used in operating activities	<u>(88,199)</u>	<u>(149,553)</u>
Cash flows from investing activities:		
Purchase of fixed assets	-	(3,610)
Redemptions of investments, net	<u>-</u>	<u>5,000</u>
Net cash provided by investing activities	<u>-</u>	<u>1,390</u>
Cash flows from financing activities:		
Proceeds from line of credit	131,400	36,000
Payments on line of credit	<u>(100,445)</u>	<u>-</u>
Net cash provided by financing activities	<u>30,955</u>	<u>36,000</u>
Net decrease in cash and cash equivalents	(57,244)	(112,163)
Cash and cash equivalents at beginning of year	<u>99,387</u>	<u>211,550</u>
Cash and cash equivalents at end of year	<u>\$ 42,143</u>	<u>\$ 99,387</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 5,172</u>	<u>\$ 2,859</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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, 2011 and 2010.

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, 2011 and 2010

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, 2011 and 2010, the Organization held cash of approximately \$0 and \$16,500 respectively, restricted for use in a federally funded program.

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 generally accepted accounting principles 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 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.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011 and 2010

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

Income Taxes (Continued)

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, 2011 and 2010. 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, 2008 through December 31, 2011.

Reclassifications

Certain reclassifications have been made to 2010 balances to conform with the 2011 presentation.

Subsequent Events

The Organization evaluated subsequent events through August 6, 2012, 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>2011</u>	<u>2010</u>
Fundraising breakfast pledges	\$ 182,718	\$ 267,713
Less allowance for doubtful accounts	<u>(65,345)</u>	<u>(65,345)</u>
	<u>\$ 117,373</u>	<u>\$ 202,368</u>
Receivable in less than one year	\$ 112,748	\$ 164,678
Receivable in one to five years	<u>4,625</u>	<u>37,690</u>
	<u>\$ 117,373</u>	<u>\$ 202,368</u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011 and 2010

NOTE 2 – CONTRIBUTIONS RECEIVABLE (Continued)

During 2011 and 2010, the Organization performed detailed evaluations of its outstanding contributions receivable. As a result, a charge to bad debt expense of \$64,123 and \$102,754 was recorded in 2011 and 2010, respectively.

NOTE 3 – BUILDINGS AND EQUIPMENT

Buildings and equipment consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Building and improvements	\$ 1,609,856	\$ 1,609,856
Equipment	<u>212,974</u>	<u>212,974</u>
	1,822,830	1,822,830
Less accumulated depreciation	<u>(222,794)</u>	<u>(159,749)</u>
	<u>\$ 1,600,036</u>	<u>\$ 1,663,081</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Contributions receivable (time restriction)	\$ 117,373	\$ 202,368
Beyond School Walls program (time restriction)	-	40,000
High School Bigs program (time restriction)	<u>91,667</u>	<u>-</u>
	<u>\$ 209,040</u>	<u>\$ 242,368</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 and \$972,000 in revenues during 2011 and 2010, respectively. Amounts included in revenue from federal grants totaled \$1,391,163 and \$1,568,087 in 2011 and 2010, respectively.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011 and 2010

NOTE 6 – LEASES

The Organization has entered into non-cancelable operating lease agreements for certain office equipment. Rent expense totaled \$24,840 and \$22,508 in 2011 and 2010, respectively.

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

2012	\$ 11,654
2013	6,337
2014	540
2015	-
2016	-
	<hr/>
	<u>\$ 18,531</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. The interest rate is subject to change based on changes in the prime rate. At December 31, 2011 and 2010, the interest rate was 5%. This arrangement matures in November, 2012. Borrowings under this arrangement were \$99,655 and \$68,700, respectively, at December 31, 2011 and 2010.

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. Total contributions made to the plan were \$27,963 and \$29,552 for the years ended December 31, 2011 and 2010, respectively. The matching contribution was discontinued subsequent to December 31, 2011.

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.