

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2018 and 2017

And Report of Independent Auditor

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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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 statements of financial position of Big Brothers/Big Sisters of Middle Tennessee as of December 31, 2018 and 2017, 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.

Changes in Financial Statement Presentation

As discussed in Note 1, Big Brothers Big Sisters of Middle Tennessee adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Cherry Bekant LLP

Nashville, Tennessee
July 10, 2019

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

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 596,303	\$ 751,296
Investments	1,265	-
Accounts receivable	-	27,342
Grants receivable	200,329	112,894
Prepaid expenses and other	44,591	34,891
Total Current Assets	842,488	926,423
Property and equipment, net	1,295,109	1,307,200
Total Assets	\$ 2,137,597	\$ 2,233,623
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 28,316	\$ 29,645
Deferred revenue	-	7,550
Total Liabilities	28,316	37,195
Net Assets:		
Without donor restrictions	2,070,349	2,143,623
With donor restrictions	38,932	52,805
Total Net Assets	2,109,281	2,196,428
Total Liabilities and Net Assets	\$ 2,137,597	\$ 2,233,623

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Contributions	\$ 745,776	\$ 10,000	\$ 755,776
Grants - other	496,267	30,000	526,267
Fundraising events	579,346	-	579,346
Federal grants	463,443	-	463,443
State grants	250,000	-	250,000
In-kind	193,991	-	193,991
United Way	133,579	-	133,579
Miscellaneous income	23,350	-	23,350
Investment loss, net	(571)	-	(571)
Net assets released from restrictions	53,873	(53,873)	-
Total Revenue, Gains, and Other Support	<u>2,939,054</u>	<u>(13,873)</u>	<u>2,925,181</u>
Expenses:			
Program services	<u>2,004,648</u>	<u>-</u>	<u>2,004,648</u>
Supporting Services:			
Management and general	245,847	-	245,847
Fundraising	<u>741,705</u>	<u>-</u>	<u>741,705</u>
Total Supporting Services	<u>987,552</u>	<u>-</u>	<u>987,552</u>
National program fees	<u>20,128</u>	<u>-</u>	<u>20,128</u>
Total Expenses	<u>3,012,328</u>	<u>-</u>	<u>3,012,328</u>
Change in net assets	(73,274)	(13,873)	(87,147)
Net assets, beginning of year	<u>2,143,623</u>	<u>52,805</u>	<u>2,196,428</u>
Net assets, end of year	<u>\$ 2,070,349</u>	<u>\$ 38,932</u>	<u>\$ 2,109,281</u>

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

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
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)	-
Total Revenue, Gains, and Other Support	<u>3,126,798</u>	<u>22,662</u>	<u>3,149,460</u>
Expenses:			
Program services	<u>2,032,955</u>	<u>-</u>	<u>2,032,955</u>
Supporting Services:			
Management and general	249,119	-	249,119
Fundraising	841,983	-	841,983
Total Supporting Services	<u>1,091,102</u>	<u>-</u>	<u>1,091,102</u>
National program fees	<u>18,755</u>	<u>-</u>	<u>18,755</u>
Total Expenses	<u>3,142,812</u>	<u>-</u>	<u>3,142,812</u>
Change in net assets	(16,014)	22,662	6,648
Net assets, beginning of year	<u>2,159,637</u>	<u>30,143</u>	<u>2,189,780</u>
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 these statements.

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

YEAR ENDED DECEMBER 31, 2018

		Supporting Services		National	
	Program	Management	Fundraising	Program	Total
	Services	and General		Fees	Expenses
Salaries	\$ 1,193,813	\$ 76,526	\$ 260,190	\$ -	\$ 1,530,529
Payroll taxes	89,063	5,709	19,411	-	114,183
Employee benefits	148,335	14,045	23,517	-	185,897
Total Salaries and Related Expenses	1,431,211	96,280	303,118	-	1,830,609
Fundraising events, including in-kind of \$175,743	-	-	354,249	-	354,249
Subrecipient expenditures - state grants	164,002	-	-	-	164,002
Professional fees	69,774	122,838	7,702	-	200,314
Insurance	48,624	10,673	2,511	-	61,808
Technology	39,901	1,886	5,949	-	47,736
Miscellaneous	15,294	6,125	9,070	-	30,489
Office supplies	13,619	649	1,946	-	16,214
Travel and staff training	11,038	226	5,767	-	17,031
Equipment rental and maintenance	10,792	514	1,542	-	12,848
Mentoring activities	65,325	-	-	-	65,325
Occupancy, including in-kind of \$18,248	57,814	2,155	5,233	-	65,202
National program fees	-	-	-	20,128	20,128
Bank and credit card fees	2,781	170	25,236	-	28,187
Telephone	11,660	541	1,624	-	13,825
Postage	3,327	370	3,697	-	7,394
Public relations	1,188	-	4,970	-	6,158
Total Other Expenses	515,139	146,147	429,496	20,128	1,110,910
Total Expenses before Depreciation	1,946,350	242,427	732,614	20,128	2,941,519
Depreciation expense	58,298	3,420	9,091	-	70,809
Total Expenses	<u>\$ 2,004,648</u>	<u>\$ 245,847</u>	<u>\$ 741,705</u>	<u>\$ 20,128</u>	<u>\$ 3,012,328</u>

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

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

YEAR ENDED DECEMBER 31, 2017

		Supporting Services		National	
	Program	Management	Fundraising	Program	Total
	Services	and General		Fees	Expenses
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
Mentoring 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	\$ 2,032,955	\$ 249,119	\$ 841,983	\$ 18,755	\$ 3,142,812

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

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (87,147)	\$ 6,648
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	70,809	71,205
Contribution of investments	(1,265)	-
Changes in operating assets and liabilities:		
Accounts receivable	27,342	(1,878)
Grants receivable	(87,435)	206,051
Prepaid expenses and other	(9,700)	(17,806)
Accounts payable and accrued expenses	(1,329)	(6,091)
Deferred revenue	(7,550)	7,550
Net cash (used in) provided by operating activities	<u>(96,275)</u>	<u>265,679</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	2,004
Purchase of equipment	<u>(58,718)</u>	<u>(6,257)</u>
Net cash used in investing activities	<u>(58,718)</u>	<u>(4,253)</u>
Net (decrease) increase in cash and cash equivalents	(154,993)	261,426
Cash and cash equivalents, beginning of year	<u>751,296</u>	<u>489,870</u>
Cash and cash equivalents, end of year	<u><u>\$ 596,303</u></u>	<u><u>\$ 751,296</u></u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions and Support – Contributions received are recorded as increases in net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for general operations use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

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 fair value 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 as investment (loss) income.

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, 2018 AND 2017

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 financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, depreciation, and occupancy, which are allocated on a basis of estimated time and effort.

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.

Subsequent Events – The Organization evaluated subsequent events through July 10, 2019, 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.

New Accounting Pronouncement – On August 18, 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted these new accounting requirements retrospectively to all periods presented in its financial statements.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Future Pronouncements – Revenue Recognition – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 2—Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing programs and services to match adult volunteer mentors with children as well as the conduct of services undertaken to support those activities to be general expenditures.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Liquidity and availability (continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	2018	2017
Financial assets at year end:		
Cash and cash equivalents	\$ 596,303	\$ 751,296
Grants and other receivables	200,329	140,236
Investments	1,265	-
Total financial assets	797,897	891,532
Less amounts not available to be used for general expenditures within one year:		
Purpose and time restrictions	38,932	52,805
Financial assets not available to be used within one year	38,932	52,805
Financial assets available to meet general expenditures within one year	<u>\$ 758,965</u>	<u>\$ 838,727</u>

Note 3—Buildings and equipment

Buildings and equipment consist of the following at December 31:

	2018	2017
Building and improvements	\$ 1,648,631	\$ 1,648,631
Equipment	260,316	260,316
Software	58,718	-
	1,967,665	1,908,947
Less accumulated depreciation	(672,556)	(601,747)
	<u>\$ 1,295,109</u>	<u>\$ 1,307,200</u>

Note 4—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2018	2017
Events and conferences (time and purpose restriction)	\$ 23,932	\$ 25,305
Beyond School Walls program (time restriction)	15,000	15,000
Other programs (time and purpose restrictions)	-	12,500
	<u>\$ 38,932</u>	<u>\$ 52,805</u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 5—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 \$713,443 and \$767,154, in 2018 and 2017, 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 \$692,849 and \$720,309, in 2018 and 2017, respectively.

At times, the Organization maintains cash and investments in amounts in excess of federally insured limits. For the years ended December 31, 2018 and 2017, \$129,481 and \$300,411, respectively, were in excess of federally insured limits.

Note 6—Leases

The Organization has entered into noncancellable operating lease agreements for certain office equipment. Rent expense totaled \$39,577 and \$39,627 in 2018 and 2017, respectively.

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

2019	\$	2,700
2020		2,100
2021		2,100
2022		2,100
2023		2,100
Thereafter		175
	\$	<u>11,275</u>

Note 7—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.