

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

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

December 31, 2005 and 2004

TABLE OF CONTENTS

Independent Auditor's Report	2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows.....	8
Notes to Financial Statements	9 – 12



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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, 2005 and 2004, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2005 and 2004, 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 25, 2006

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

	2005			2004
	Current Operations	Land, Buildings and Equipment	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 159,163	\$ 471,840	\$ 631,003	\$ 319,893
Investments	28,057	79,647	107,704	104,674
Accounts receivable - United Way	-	-	-	16,806
Contributions receivable	63,670	101,745	165,415	117,144
Grants receivable	149,900	-	149,900	10,356
Prepaid expenses and other	6,233	-	6,233	11,426
Total current assets	407,023	653,232	1,060,255	580,299
Contributions receivable	2,050	-	2,050	128,576
Land, buildings and equipment, net	-	302,869	302,869	222,273
Total assets	<u>\$ 409,073</u>	<u>\$ 956,101</u>	<u>\$ 1,365,174</u>	<u>\$ 931,148</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 31,424	\$ -	\$ 31,424	\$ 10,357
Grant payable	90,000	-	90,000	-
Note payable - current portion	-	-	-	8,330
Total current liabilities	121,424	-	121,424	18,687
Long-term liabilities:				
Note payable	-	-	-	30,117
Total liabilities	121,424	-	121,424	48,804
Net assets:				
Unrestricted	221,929	587,304	809,233	326,173
Temporarily restricted	65,720	368,797	434,517	556,171
Total net assets	287,649	956,101	1,243,750	882,344
Total liabilities and net assets	<u>\$ 409,073</u>	<u>\$ 956,101</u>	<u>\$ 1,365,174</u>	<u>\$ 931,148</u>

See accompanying notes.

BIG BROTHERS/BIG SISTER OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions	\$ 254,982	\$ 223,256	\$ 478,238
Fundraising events	143,543	-	143,543
In-kind	107,752	-	107,752
Federal grants and fees	1,304,544	-	1,304,544
United Way	41,272	-	41,272
Wilson County grants and contributions	10,318	-	10,318
Grants - other	6,000	-	6,000
Investment income	6,135	-	6,135
Gain on sale of fixed assets	151,753	-	151,753
Net assets released from restrictions	<u>344,910</u>	<u>(344,910)</u>	<u>-</u>
Total revenue, gains, and other support	<u>2,371,209</u>	<u>(121,654)</u>	<u>2,249,555</u>
Expenses:			
Program services:			
Big Brother/Big Sister	342,767	-	342,767
Mentoring	117,507	-	117,507
Wilson County	18,749	-	18,749
Amachi	<u>1,129,853</u>	<u>-</u>	<u>1,129,853</u>
Total program services	<u>1,608,876</u>	<u>-</u>	<u>1,608,876</u>
Supporting services:			
Management and general	137,073	-	137,073
Fundraising	<u>130,913</u>	<u>-</u>	<u>130,913</u>
Total supporting services	<u>267,986</u>	<u>-</u>	<u>267,986</u>
National program fees	<u>11,287</u>	<u>-</u>	<u>11,287</u>
Total expenses	<u>1,888,149</u>	<u>-</u>	<u>1,888,149</u>
Change in net assets	483,060	(121,654)	361,406
Net assets at beginning of year	<u>326,173</u>	<u>556,171</u>	<u>882,344</u>
Net assets at end of year	<u><u>\$ 809,233</u></u>	<u><u>\$ 434,517</u></u>	<u><u>\$1,243,750</u></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	\$ 247,812	\$ 411,727	\$ 659,539
Federal grants and fees	99,452	-	99,452
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	59,640	-	59,640
Investment income	4,717	-	4,717
Net assets released from restrictions	90,275	(90,275)	-
	<u>704,076</u>	<u>338,258</u>	<u>1,042,334</u>
Total revenue, gains, and other support			
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	14,316	-	14,316
	<u>578,159</u>	<u>-</u>	<u>578,159</u>
Total program services			
Supporting services:			
Management and general	76,137	-	76,137
Fundraising	63,321	-	63,321
	<u>139,458</u>	<u>-</u>	<u>139,458</u>
Total supporting services			
National program fees	7,351	-	7,351
	<u>724,968</u>	<u>-</u>	<u>724,968</u>
Total expenses			
Change in net assets	(20,892)	338,258	317,366
Net assets at beginning of year	347,065	217,913	564,978
Net assets at end of year	<u>\$ 326,173</u>	<u>\$ 556,171</u>	<u>\$ 882,344</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2005

	Program Services				Supporting Services				2005 Total Program and Supporting Services and National Program Fees	
	Big Brother/ Big Sister	Mentoring	Wilson County	Amachi	Total Program Services	Management and General	Fund Raising	Total Supporting Services	National Program Fees	
Salaries	\$ 201,142	\$ 83,940	\$ 10,069	\$ 258,624	\$ 553,775	\$ 86,773	\$ -	\$ 86,773	\$ -	\$ 640,548
Payroll taxes	17,212	12,932	763	19,730	50,637	4,460	-	4,460	-	55,097
Employee benefits	22,014	-	222	25,079	47,315	1,500	-	1,500	-	48,815
Total salaries and related expenses	240,368	96,872	11,054	303,433	651,727	92,733	-	92,733	-	744,460
Subrecipient expenditure	-	-	-	700,839	700,839	-	-	-	-	700,839
In-kind activities	-	-	-	-	-	-	72,832	72,832	-	72,832
Rent	34,920	-	2,250	34,930	72,100	-	-	-	-	72,100
Professional fees	7,500	-	380	-	7,880	26,418	25,567	51,985	-	59,865
Other	3,769	14,724	69	23,662	42,224	2,091	15,265	17,356	-	59,580
Supplies	12,071	1,411	1,422	21,014	35,918	-	-	-	-	35,918
Insurance	13,303	-	1,088	4,759	19,150	6,900	-	6,900	-	26,050
Travel	9,144	4,353	-	10,625	24,122	-	-	-	-	24,122
Telephone	5,875	-	696	11,660	18,231	-	-	-	-	18,231
Activities	2,678	-	-	11,221	13,899	-	-	-	-	13,899
National program fees	-	-	-	-	-	-	-	-	11,287	11,287
Printing	676	147	-	1,342	2,165	-	9,013	9,013	-	11,178
Equipment rental and maintenance	3,834	-	1,415	4,773	10,022	-	-	-	-	10,022
Postage	7,260	-	-	524	7,784	-	59	59	-	7,843
Bowling fees and prizes	-	-	-	-	-	-	7,592	7,592	-	7,592
Conferences and meetings	1,369	-	-	1,071	2,440	3,454	-	3,454	-	5,894
Utilities	-	-	375	-	375	384	-	384	-	759
Activities-Wilson County	-	-	-	-	-	-	585	585	-	585
Janitorial service	-	-	-	-	-	260	-	260	-	260
Interest expense	-	-	-	-	-	174	-	174	-	174
Total other expenses	102,399	20,635	7,695	826,420	957,149	39,681	130,913	170,594	11,287	1,139,030
Total expenses before depreciation	342,767	117,507	18,749	1,129,853	1,608,876	132,414	130,913	263,327	11,287	1,883,490
Depreciation expense	-	-	-	-	-	4,659	-	4,659	-	4,659
Total expenses	<u>\$ 342,767</u>	<u>\$ 117,507</u>	<u>\$ 18,749</u>	<u>\$ 1,129,853</u>	<u>\$ 1,608,876</u>	<u>\$ 137,073</u>	<u>\$ 130,913</u>	<u>\$ 267,986</u>	<u>\$ 11,287</u>	<u>\$ 1,888,149</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
STATEMENTS OF CASH FLOWS
Years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ 361,406	\$ 317,366
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,659	11,945
Realized/unrealized gains on investments	(1,580)	(1,308)
Gain on sale of property	(151,753)	-
Changes in operating assets and liabilities:		
Accounts receivable	16,806	7,526
Contributions receivable	78,255	(177,785)
Grants receivable	(139,544)	(7,294)
Prepaid expenses and other	5,193	(3,854)
Accounts payable and accrued expenses	21,067	(8,424)
Grant payable	90,000	-
Net cash provided by operating activities	<u>284,509</u>	<u>138,172</u>
Cash flows from investing activities:		
Purchases of investments, net	(1,450)	(1,187)
Purchase of equipment	-	(8,532)
Purchase of land	(301,559)	-
Proceeds from sale of property	<u>368,057</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>65,048</u>	<u>(9,719)</u>
Cash flows from financing activities:		
Payments on note payable	<u>(38,447)</u>	<u>(7,687)</u>
Net cash used in financing activities	<u>(38,447)</u>	<u>(7,687)</u>
Net increase in cash and cash equivalents	311,110	120,766
Cash and cash equivalents at beginning of year	<u>319,893</u>	<u>199,127</u>
Cash and cash equivalents at end of year	<u><u>\$ 631,003</u></u>	<u><u>\$ 319,893</u></u>
Supplemental disclosure:		
Cash paid during the year for interest	<u><u>\$ 174</u></u>	<u><u>\$ 2,625</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2005 and 2004

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.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2005 and 2004

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

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, 2005 and 2004. Credit risk is managed by maintaining all deposits in high quality financial institutions.

Reclassifications

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 presentation.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2005 and 2004

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Capital campaign receivable	\$ 101,745	\$ 209,990
Golf tournament proceeds receivable	59,500	25,510
Other	<u>6,220</u>	<u>10,220</u>
	<u>\$ 167,465</u>	<u>\$ 245,720</u>
Receivable in less than one year	\$ 165,415	\$ 117,144
Receivable in one to five years	<u>2,050</u>	<u>128,576</u>
	<u>\$ 167,465</u>	<u>\$ 245,720</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, 2005 and 2004 made in support of the campaign totaled \$101,745 and \$209,990, respectively.

NOTE 3 - INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Certificate of deposit, interest at 2.3%, matures January 2006	\$ 79,647	\$ 78,197
Mutual funds and other	<u>28,057</u>	<u>26,477</u>
	<u>\$ 107,704</u>	<u>\$ 104,674</u>

NOTE 4 - LAND, BUILDINGS AND EQUIPMENT

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

	<u>2005</u>	<u>2004</u>
Land	\$ 301,559	\$ 154,085
Building	-	133,435
Equipment	24,467	86,247
Vehicles	<u>19,853</u>	<u>19,853</u>
	345,879	393,620
Less accumulated depreciation	<u>(43,010)</u>	<u>(171,347)</u>
	<u>\$ 302,869</u>	<u>\$ 222,273</u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2005 and 2004

NOTE 5 - NOTE PAYABLE

Note payable consisted of an installment mortgage note with a bank and provided for interest at 5.38%. The note was secured by land acquired for the office facility. During 2005, the land and building were sold and the note was paid in full.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December:

	<u>2005</u>	<u>2004</u>
Future building expansion	\$ 267,052	\$ 293,645
United Way contributions (time restriction)	-	16,806
Contribution receivable (time restriction)	<u>167,465</u>	<u>245,720</u>
	<u>\$ 434,517</u>	<u>\$ 556,171</u>

NOTE 7 - 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 8 - CONCENTRATIONS

The Organization receives a substantial amount of its revenue from a Federal grant. 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.

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 \$36,345 and \$8,049 in 2005 and 2004, respectively.

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

2006	\$ 36,345
2007	<u>354</u>
	<u>\$ 36,699</u>