

BIG BROTHERS OF NASHVILLE, INC.

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

For the years ended June 30, 2006 and 2005

BIG BROTHERS OF NASHVILLE, INC.

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BIG BROTHERS OF NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2006 and 2005

Assets	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 278,488	\$ 325,171
Cash and cash equivalents, restricted for Project Help	18,620	42,539
Deposits	2,000	2,000
Unconditional promises to give	<u>2,500</u>	<u>2,500</u>
Total current assets	301,608	372,210
Property and equipment - net of accumulated depreciation of \$26,486 and \$26,124 in 2006 and 2005, respectively	<u>2,218</u>	<u>2,143</u>
Total assets	<u><u>\$ 303,826</u></u>	<u><u>\$ 374,353</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accrued expenses	\$ 6,169	\$ 2,208
Deferred revenue	<u>305</u>	<u>305</u>
Total current liabilities	<u>6,474</u>	<u>2,513</u>
Net assets:		
Unrestricted	45,398	90,688
Board designated	<u>229,552</u>	<u>224,243</u>
Total unrestricted	274,950	314,931
Temporarily restricted	<u>22,402</u>	<u>56,909</u>
Total net assets	<u>297,352</u>	<u>371,840</u>
Total liabilities and net assets	<u><u>\$ 303,826</u></u>	<u><u>\$ 374,353</u></u>

See accompanying notes.

BIG BROTHERS OF NASHVILLE, INC.
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Unrestricted Net Assets</u>		
Revenue:		
Public support	\$ 157,238	\$ 176,592
In-kind contributions	10,712	39,095
Interest income	<u>7,085</u>	<u>3,380</u>
Total revenue	<u>175,035</u>	<u>219,067</u>
Expenses:		
Project Help assistance	232,013	148,064
Program and community services	142,157	169,379
General and administrative expenses	77,515	79,879
Fundraising	<u>29,932</u>	<u>54,410</u>
Total expenses	<u>481,617</u>	<u>451,732</u>
Change in unrestricted net assets before net assets released from restrictions	(306,582)	(232,665)
Net assets released from restrictions - satisfaction of purpose restrictions	<u>266,601</u>	<u>203,559</u>
Change in unrestricted net assets	<u>(39,981)</u>	<u>(29,106)</u>
<u>Temporarily Restricted Net Assets</u>		
Revenue:		
Project Help contributions	208,094	163,851
Project Help administration	24,000	23,000
Unconditional promises to give	-	2,500
Release of restrictions:		
Transferred to unrestricted net assets	<u>(266,601)</u>	<u>(203,559)</u>
Change in temporarily restricted net assets	<u>(34,507)</u>	<u>(14,208)</u>
Change in net assets	(74,488)	(43,314)
Net assets - beginning of year	<u>371,840</u>	<u>415,154</u>
Net assets - end of year	<u><u>\$ 297,352</u></u>	<u><u>\$ 371,840</u></u>

See accompanying notes.

BIG BROTHERS OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2006

	<u>Program Services</u>		<u>General and Administrative</u>	<u>Fund- Raising</u>	<u>Total</u>
	<u>Project Help Assistance</u>	<u>Program and Community Services</u>			
Salaries	\$ -	\$ 19,240	\$ 48,238	\$ -	\$ 67,478
Payroll taxes	-	2,062	2,752	-	4,814
 Total salaries and related benefits	 -	 21,302	 50,990	 -	 72,292
Utilities	232,013	49,698	3,951	-	285,662
Rent	-	55,526	8,681	-	64,207
Cool Country Run expense (in-kind of \$8,400)	-	-	-	17,505	17,505
Red Nose Run expense	-	-	-	11,402	11,402
Food baskets (in-kind of \$1,875)	-	8,878	-	-	8,878
Professional fees	-	-	7,741	-	7,741
Food certificates	-	4,580	-	-	4,580
Supplies	-	-	3,300	-	3,300
Other assistance	-	2,100	-	-	2,100
Dues and subscriptions	-	-	1,164	-	1,164
Postage	-	-	897	-	897
Other fundraising	-	-	-	600	600
Insurance	-	-	502	-	502
Tabloid expense	-	-	-	425	425
 Total expenses before depreciation	 232,013	 142,084	 77,226	 29,932	 481,255
Depreciation	-	73	289	-	362
 Total expenses	 <u>\$ 232,013</u>	 <u>\$ 142,157</u>	 <u>\$ 77,515</u>	 <u>\$ 29,932</u>	 <u>\$ 481,617</u>

See accompanying notes.

BIG BROTHERS OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2005

	<u>Program Services</u>		<u>General and Administrative</u>	<u>Fund- Raising</u>	<u>Total</u>
	<u>Project Help Assistance</u>	<u>Program and Community Services</u>			
Salaries	\$ -	\$ 15,952	\$ 39,420	\$ -	\$ 55,372
Payroll taxes	-	2,317	1,919	-	4,236
Total salaries and related benefits	-	18,269	41,339	-	59,608
Utilities	148,064	75,474	3,975	-	227,513
Rent	-	57,065	16,455	-	73,520
Tabloid expense (in-kind of \$27,200)	-	-	-	30,200	30,200
Cool Country Run expense (in-kind of \$10,020)	-	-	-	16,012	16,012
Professional fees	-	-	12,368	-	12,368
Food baskets (in-kind of \$1,875)	-	8,689	-	-	8,689
Red Nose Run expense	-	-	-	7,682	7,682
Other assistance	-	5,705	-	-	5,705
Food certificates	-	3,950	-	-	3,950
Supplies	-	-	2,329	-	2,329
Insurance	-	-	1,462	-	1,462
Postage	-	-	953	-	953
Other fundraising	-	-	-	516	516
Dues and subscriptions	-	-	478	-	478
Total expenses before depreciation	148,064	169,152	79,359	54,410	450,985
Depreciation	-	227	520	-	747
Total expenses	\$ 148,064	\$ 169,379	\$ 79,879	\$ 54,410	\$ 451,732

See accompanying notes.

BIG BROTHERS OF NASHVILLE, INC.
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ (74,488)	\$ (43,314)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions of equipment	(437)	-
Depreciation	362	747
Changes in operating assets and liabilities:		
Unconditional promises to give	-	5,000
Accrued expenses	3,961	(2,278)
	<u>(70,602)</u>	<u>(39,845)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	-	2,696
	<u>-</u>	<u>2,696</u>
Net cash provided by investing activities		
	<u>-</u>	<u>2,696</u>
Net decrease in cash and cash equivalents	(70,602)	(37,149)
Cash and cash equivalents - beginning of year	<u>367,710</u>	<u>404,859</u>
Cash and cash equivalents - end of year	<u>\$ 297,108</u>	<u>\$ 367,710</u>
Supplemental cash flow information:		
Noncash contribution of equipment	<u>\$ 437</u>	<u>\$ -</u>

See accompanying notes.

BIG BROTHERS OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Organization

Big Brothers of Nashville, Inc. (the Organization), is a nonprofit organization, formed to provide “last resort” emergency needs to indigent families and individuals in the Nashville area. Big Brothers of Nashville, Inc. is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified 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 restrictions.

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 donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes. At June 30, 2006 and 2005, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Depreciation

Property and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives which range from 5 to 15 years using accelerated methods.

BIG BROTHERS OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The majority of the Organization's support is derived from contributions by the general public, other organizations and syndicates.

The Organization accounts for contributions in accordance with Statement of Financial Accounting Standard ("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. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Donated Services

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Additionally, the Organization receives a significant amount of contributed time from unpaid volunteers who assist in fundraising and special projects that does not meet the recognition criteria described above. Accordingly, the value of the contributed time has not been determined and is not reflected in the accompanying financial statements.

Income Taxes

The Organization has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Functional 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.

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.

BIG BROTHERS OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense for the years ended June 30, 2006 and 2005 amounted to \$175 and \$3,000, respectively.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2006</u>	<u>2005</u>
Equipment	\$ 20,902	\$ 20,465
Leasehold improvements	5,193	5,193
Furniture and fixtures	<u>2,609</u>	<u>2,609</u>
	28,704	28,267
Less accumulated depreciation	<u>(26,486)</u>	<u>(26,124)</u>
	<u>\$ 2,218</u>	<u>\$ 2,143</u>

NOTE 3 – NET ASSETS

By prior resolution of the Board of Directors, a portion of the net assets was designated as a disaster reserve. The Board reserves the right to assign amounts between the emergency assistance and community service programs on an as needed basis.

NOTE 4 – DONATIONS

The Organization receives significant donations in providing its program services. The value of items meeting the recognition criteria (See Note 1) are estimated based on information provided by donors and management's judgment. The accompanying statements of activities include the following non-cash donations:

	<u>2006</u>	<u>2005</u>
Tabloid design	\$ -	\$ 7,200
Tabloid printing	-	20,000
Technology consulting	1,875	1,875
Cool Country Run advertising	<u>8,400</u>	<u>10,020</u>
	<u>\$ 10,275</u>	<u>\$ 39,095</u>

BIG BROTHERS OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 5 – CONCENTRATIONS

Cash and investments include funds deposited in FDIC insured bank accounts totaling \$297,108 and \$367,710, respectively, at June 30, 2006 and 2005. Cash balances on deposit exceed amounts covered by FDIC insurance. Management believes that risk of loss is mitigated by maintaining deposits in high quality financial institutions.

NOTE 6 – OPERATING LEASE

The Organization has entered into an operating lease for office space through October 2009. The following is a summary of future minimum lease payments due:

Year ending <u>June 30,</u>	
2007	\$ 6,600
2008	6,600
2009	6,600
2010	<u>2,200</u>
	<u>\$ 22,000</u>

Rent expense was \$8,681 and \$16,455, respectively, for the years ended June 30, 2006 and 2005.

NOTE 7 – PROJECT HELP

The Organization has an agreement with Nashville Electric Service and Nashville Gas Company whereby Big Brothers of Nashville, Inc. assumes the responsibility for administering Project Help, an energy assistance program to provide eligible individuals with heating during the period from November 1 through March 31 each year. The agreement may be terminated with thirty days advance notice. As administrator of Project Help, the Organization received \$24,000 and \$23,000, respectively, for the years ended June 30, 2006 and 2005 to cover the costs of administering the program from the sponsoring companies.

During the years ended June 30, 2006 and 2005, the Organization collected and distributed the following amounts as administrator of Project Help:

	<u>2006</u>	<u>2005</u>
Revenues:		
Donations through Nashville Electric Service	\$ 153,866	\$ 137,526
Donations through Nashville Gas Company	53,470	26,188
Other contributions and interest	<u>758</u>	<u>137</u>
Total revenues	208,094	163,851

BIG BROTHERS OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 7 – PROJECT HELP (Continued)

Expenses:		
Disbursements for electricity	181,075	108,416
Disbursements for natural gas	48,786	36,603
Disbursements for other heating sources	<u>2,152</u>	<u>3,045</u>
 Total expenses	 232,013	 148,064
 Net (decrease) increase	 (23,919)	 15,787
 Cash balance – beginning of year	 <u>42,539</u>	 <u>26,752</u>
 Cash balance – end of year	 <u>\$ 18,620</u>	 <u>\$ 42,539</u>