

**MARTHA O'BRYAN  
CENTER, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008 and 2007**

MARTHA O'BRYAN CENTER, INC.

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# MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

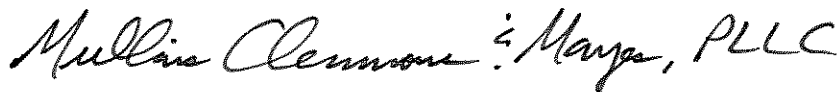
To the Board of Directors of  
Martha O'Bryan Center, Inc.:

We have audited the accompanying statements of financial position of Martha O'Bryan Center, Inc. (a nonprofit organization) as of June 30, 2008 and 2007 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Martha O'Bryan Center, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards 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 Martha O'Bryan Center, Inc. as of June 30, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2009, on our consideration of Martha O'Bryan Center, Inc.'s internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.



Brentwood, Tennessee  
January 26, 2009

MARTHA O'BRYAN CENTER, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 921,034	\$ 923,798
Federal and state grants receivable	31,912	52,965
Other receivables	40,084	45,209
Unconditional promises to give, net	502,911	773,407
Prepaid expenses	21,733	18,859
Property and equipment, net	2,219,362	2,325,523
Other assets	8,000	8,000
TOTAL ASSETS	<u>\$ 3,745,036</u>	<u>\$ 4,147,761</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 52,992	\$ 28,040
Accrued liabilities	144,412	156,783
Total liabilities	<u>197,404</u>	<u>184,823</u>
NET ASSETS:		
Unrestricted	2,861,246	3,003,541
Temporarily restricted	686,386	959,397
Total net assets	<u>3,547,632</u>	<u>3,962,938</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,745,036</u>	<u>\$ 4,147,761</u>

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

MARTHA O'BRYAN CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Government grants	\$ 278,319	\$ 3,223	\$ 281,542
Donations and private grants	1,033,496	658,979	1,692,475
Program fees and subsidies	301,907	-	301,907
Fund raising events	23,330	33,500	56,830
In-kind donations	63,983	-	63,983
Lease fees	7,350	-	7,350
Interest and miscellaneous	32,769	-	32,769
Total	<u>1,741,154</u>	<u>695,702</u>	<u>2,436,856</u>
NET ASSETS RELEASED FROM RESTRICTIONS:			
Restrictions satisfied by incurrence of costs	229,550	(229,550)	-
Expiration of time restrictions	739,163	(739,163)	-
Total net assets released from restrictions	<u>968,713</u>	<u>(968,713)</u>	<u>-</u>
Total revenues, gains and other support	<u>2,709,867</u>	<u>(273,011)</u>	<u>2,436,856</u>
EXPENSES:			
Program services:			
Child development	957,537	-	957,537
Reading	95,748	-	95,748
Youth services	431,275	-	431,275
Family and community services	251,172	-	251,172
Family education	349,992	-	349,992
Family resource center	147,979	-	147,979
Supporting services:			
Management and general	234,156	-	234,156
Development and fund raising	384,303	-	384,303
Total expenses	<u>2,852,162</u>	<u>-</u>	<u>2,852,162</u>
NET CHANGE IN NET ASSETS	(142,295)	(273,011)	(415,306)
NET ASSETS:			
Beginning of year	<u>3,003,541</u>	<u>959,397</u>	<u>3,962,938</u>
End of year	<u>\$ 2,861,246</u>	<u>\$ 686,386</u>	<u>\$ 3,547,632</u>

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

MARTHA O'BRYAN CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Government grants	\$ 400,819	\$ -	\$ 400,819
Donations and private grants	1,216,826	884,493	2,101,319
Program fees and subsidies	341,184	-	341,184
Fund raising events	21,616	63,225	84,841
In-kind donations	66,491	-	66,491
Lease fees	7,200	-	7,200
Interest and miscellaneous	30,994	-	30,994
Total	<u>2,085,130</u>	<u>947,718</u>	<u>3,032,848</u>
NET ASSETS RELEASED FROM RESTRICTIONS:			
Restrictions satisfied by incurrence of costs	151,354	(151,354)	-
Expiration of time restrictions	548,016	(548,016)	-
Total net assets released from restrictions	<u>699,370</u>	<u>(699,370)</u>	<u>-</u>
Total revenues, gains and other support	<u>2,784,500</u>	<u>248,348</u>	<u>3,032,848</u>
EXPENSES:			
Program services:			
Child development	925,466	-	925,466
Reading	68,667	-	68,667
Youth services	498,288	-	498,288
Family and community services	275,707	-	275,707
Family education	377,676	-	377,676
Family resource center	89,057	-	89,057
Supporting services:			
Management and general	218,737	-	218,737
Development and fund raising	411,112	-	411,112
Total expenses	<u>2,864,710</u>	<u>-</u>	<u>2,864,710</u>
NET CHANGE IN NET ASSETS	(80,210)	248,348	168,138
NET ASSETS:			
Beginning of year	<u>3,083,751</u>	<u>711,049</u>	<u>3,794,800</u>
End of year	<u>\$ 3,003,541</u>	<u>\$ 959,397</u>	<u>\$ 3,962,938</u>

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

MARTHA O'BRYAN CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2008

	Program Services					Supporting Services			Total Expenses
	Child Development	Reading	Youth Services	Community Services	Family Education	Family Resource	Management and General	Development and Fund Raising	
Salaries	\$ 604,396	\$ 67,832	\$ 245,338	\$ 133,653	\$ 228,602	\$ 85,768	\$ 111,416	\$ 238,884	\$ 1,715,889
Employee benefits	74,484	8,526	23,754	10,032	31,056	11,300	14,098	27,291	200,541
Payroll taxes	41,157	5,064	19,010	10,211	17,522	6,355	18,175	17,889	135,383
Total personnel costs	720,037	81,422	288,102	153,896	277,180	103,423	143,689	284,064	2,051,813
Professional services	19,669	860	1,502	1,240	938	2,585	796	4,062	31,652
Insurance	5,503	601	10,591	1,657	2,211	1,597	3,106	758	26,024
Food and supplies	79,828	1,541	26,197	51,744	19,441	10,618	10,399	13,713	213,481
Client assistance	-	-	5,046	14,736	530	1,142	178	47	21,679
Communications	8,544	554	3,796	1,605	7,196	813	4,637	27,403	54,548
Utilities	18,590	1,189	14,272	4,472	7,732	5,052	16,810	3,721	71,838
Building and grounds maintenance	34,072	2,398	24,066	6,001	8,545	7,415	14,973	7,618	105,088
Equipment maintenance and repair	9,787	534	4,501	1,441	6,411	1,119	10,982	10,977	45,752
Vehicles and travel	800	234	7,418	722	1,464	660	2,260	1,319	14,877
Professional development	2,769	1,305	1,833	859	2,368	1,095	4,759	2,271	17,259
Subscriptions and memberships	1,558	512	262	83	225	64	2,823	196	5,723
Interest, fees, licenses and miscellaneous	818	327	775	178	310	226	1,864	3,655	8,153
Bad debts	-	-	-	-	-	-	-	12,250	12,250
Total expenses before depreciation	901,975	91,477	388,361	238,634	334,551	135,809	217,276	372,054	2,680,137
Depreciation	55,562	4,271	42,914	12,538	15,441	12,170	16,880	12,249	172,025
Total expenses	\$ 957,537	\$ 95,748	\$ 431,275	\$ 251,172	\$ 349,992	\$ 147,979	\$ 234,156	\$ 384,303	\$ 2,852,162

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

MARTHA O'BRYAN CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2007

	Program Services					Supporting Services			Total Expenses
	Child Development	Reading	Youth Services	Community Services	Family Education	Family Resource	General	Management and Fund Raising	
Salaries	\$ 571,555	\$ 46,974	\$ 300,088	\$ 140,183	\$ 241,632	\$ 53,738	\$ 119,923	\$ 263,849	\$ 1,737,922
Employee benefits	90,352	5,365	31,788	11,012	33,559	6,591	14,659	26,953	220,279
Payroll taxes	41,957	3,392	21,872	10,405	17,793	3,817	9,257	19,391	127,884
Total personnel costs	703,864	55,731	353,728	161,600	292,984	64,146	143,839	310,193	2,086,085
Professional services	13,387	798	5,935	2,664	2,024	420	2,583	1,961	29,772
Insurance	5,934	554	11,013	1,721	2,673	951	2,875	787	26,508
Food and supplies	65,131	2,310	28,702	60,863	19,987	4,204	8,563	26,573	216,333
Client assistance	-	-	114	13,695	36	49	-	-	13,894
Communications	6,873	651	3,486	2,293	8,897	1,021	2,683	29,178	55,082
Utilities	19,260	1,141	15,630	4,578	9,672	3,034	7,179	1,775	62,269
Building and grounds maintenance	30,540	1,836	27,338	6,290	11,742	5,180	10,433	6,496	99,855
Equipment maintenance and repair	7,984	359	2,058	1,922	4,105	760	11,648	6,571	35,407
Vehicles and travel	1,435	185	6,021	4,761	2,723	97	1,786	1,305	18,313
Professional development	7,619	284	3,012	1,095	1,844	1,982	4,687	3,198	23,721
Subscriptions and memberships	1,304	691	106	129	129	64	3,186	384	5,993
Interest, fees, licenses and miscellaneous	833	91	1,234	295	208	450	2,096	4,431	9,638
Bad debts	-	-	-	-	-	-	-	8,740	8,740
Total expenses before depreciation	864,164	64,631	458,377	261,906	357,024	82,358	201,558	401,592	2,691,610
Depreciation	61,302	4,036	39,911	13,801	20,652	6,699	17,179	9,520	173,100
Total expenses	\$ 925,466	\$ 68,667	\$ 498,288	\$ 275,707	\$ 377,676	\$ 89,057	\$ 218,737	\$ 411,112	\$ 2,864,710

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



MARTHA O'BRYAN CENTER, INC.

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net change in net assets	\$ (415,306)	\$ 168,138
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Depreciation and amortization	172,025	173,100
Net changes in allowance for uncollectible promises	-	6,290
(Gain) loss on sale of assets	(100)	-
Net changes in other assets and liabilities:		
Grants receivable	21,053	(9,612)
Other receivables	5,125	(9,198)
Unrestricted unconditional promises to give	27,205	(30,082)
Temporarily restricted unconditional promises to give	243,291	(186,625)
Prepaid expenses	(2,874)	14,074
Accounts payable	24,952	(19,617)
Accrued liabilities	(12,371)	37,497
Net cash provided by operating activities	<u>63,000</u>	<u>143,965</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(65,864)	(55,105)
Redemption of certificates of deposit	-	399,647
Proceeds from disposal of assets	100	-
Net cash provided by (used in) investing activities	<u>(65,764)</u>	<u>344,542</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,764)</b>	<b>488,507</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u><b>923,798</b></u>	<u><b>435,291</b></u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u><u><b>\$ 921,034</b></u></u>	<u><u><b>\$ 923,798</b></u></u>

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

**MARTHA O'BRYAN CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**NOTE 1 – THE ENTITY**

Martha O'Bryan Center, Inc., (the "Center"), founded in 1894, is qualified as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The primary programs of the Center include child development, reading, youth services, community services, family education, and a family resource center. The Center operates primarily in its East Nashville community. See Note 3 for a description of the Center's reliance on certain funding.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Periods**

All references to 2008 and 2007 in these financial statements refer to the years ended June 30, 2008 and 2007, respectively, unless otherwise noted.

**Basis of Accounting**

The financial records of the Center are maintained on the accrual basis of accounting.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. 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. All other donor-restricted contributions 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.

The Center uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

See Notes 5 and 6 for further details.

**Grant Revenues**

Grant revenues are recognized when qualified reimbursable expenses are incurred or when services are performed.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, cash in various bank accounts, and all highly liquid investments with an original maturity of three months or less. The Center may, at times, maintain bank accounts whose balances exceed federally insured limits. However, the Center has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

**MARTHA O'BRYAN CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Expenditures for additions, major renewals and betterment of property and equipment with a cost in excess of \$500 are capitalized. The fair value of donated property and equipment is similarly capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed by using the straight-line method over the estimated useful lives of the assets.

**Donated Materials and Services**

Donated materials are recognized as contributions at their estimated fair values at date of receipt. The value of donated services meeting the requirements for recognition in the financial statements was not material and has not been recorded. A substantial number of volunteers have donated significant amounts of time in the Center's programs, development and fund raising activities.

**Income Taxes**

As mentioned in Note 1, the Center is a tax-exempt organization; accordingly, no provision for income taxes is included in the accompanying financial statements.

**Functional Allocation of Expenses**

Expenses, which are directly related to a function, are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function.

**Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Financial Statement Presentation**

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. See Note 5 for further details.

**NOTE 3 – SIGNIFICANT SUPPORT**

The Center receives a substantial amount of its support from the Tennessee Department of Human Services and from the United Way of Nashville and Middle Tennessee. A major reduction of these funds, should this occur, may have a significant effect on future operations of the Center.

MARTHA O'BRYAN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND 2007

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,150	\$ 1,150
Buildings and improvements	3,533,711	3,502,261
Equipment	398,857	365,218
Vehicles	30,572	63,981
Fixtures	65,590	64,815
Total cost	<u>4,029,880</u>	<u>3,997,425</u>
Less accumulated depreciation and amortization	<u>(1,810,518)</u>	<u>(1,671,902)</u>
Property and equipment, net	<u>\$ 2,219,362</u>	<u>\$ 2,325,523</u>

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
For subsequent fiscal years	\$ 463,166	\$ 748,642
For specific purposes:		
Baby College	100,118	7,000
Fifth Day Youth	40,000	-
Educational assistance	24,456	26,011
Vanderbilt Student Athletes	14,000	7,877
Case management	10,000	-
Joyful Noise	9,924	13,123
Expansion of services to senior citizens	7,093	56,014
Cayce Family Resource Council supplies	1,515	27,161
Jobs for Life	50	26,416
Cayce Family Resource director	-	10,000
Playground equipment and supplies	-	10,000
Evaluation of social issues	3,310	3,316
All others (less than \$10,000 individually in either year)	12,754	23,837
Total	<u>\$ 686,386</u>	<u>\$ 959,397</u>

There were no permanently restricted net assets at June 30, 2008 and 2007. Cash and cash equivalents include \$248,542 and \$278,301 of temporarily restricted cash at June 30, 2008 and 2007.

**MARTHA O'BRYAN CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007**

**NOTE 6 – PROMISES TO GIVE**

Unconditional promises to give consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Unrestricted promises	\$ 70,467	\$ 98,562
Temporarily restricted	437,844	681,135
Total	<u>508,311</u>	<u>779,697</u>
Less allowance for uncollectible promises	(5,400)	(6,290)
Net	<u>\$ 502,911</u>	<u>\$ 773,407</u>

**NOTE 7 – RETIREMENT PLAN**

The Center sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering all full time and part time regular employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the plan. The Center may agree to match a certain percent of salary based on the employee's years of service. The Center's matching contributions to the plan were \$20,961 and \$22,013 during 2008 and 2007, respectively.

**NOTE 8 – RELATED PARTIES**

The Center receives funding from the Martha O'Bryan Foundation Inc. ("Foundation"), a related entity which is governed by a separate Board of Directors. A total of \$102,233 and \$25,707 was received from the Foundation during 2008 and 2007, respectively.

**NOTE 9 – RECLASSIFICATIONS**

Certain amounts for 2007 have been reclassified to be consistent with the presentation for 2008. These reclassifications did not have a significant effect on the Center's previously reported financial position, changes in net assets, and cash flows.

**ADDITIONAL INFORMATION**