

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

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## **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, 2006 and 2005 and the related statements of unrestricted revenues, expenses, and other changes in unrestricted assets, 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, 2006 and 2005 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 July 28, 2006, on our consideration of Martha O'Bryan Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Mullins Clemmons & Mayes, PLLC*

Brentwood, Tennessee

July 28, 2006

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

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 435,291	\$ 407,065
Certificates of deposit	399,647	393,000
Federal and state grants receivable	43,353	44,881
Other receivables	36,011	35,653
Unconditional promises to give, net	562,990	673,306
Prepaid expenses	32,933	33,095
Property and equipment, net	2,443,518	2,548,378
Other assets	8,000	8,000
TOTAL ASSETS	<u>\$ 3,961,743</u>	<u>\$ 4,143,378</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 47,657	\$ 24,487
Accrued liabilities	119,286	121,227
Total liabilities	<u>166,943</u>	<u>145,714</u>
NET ASSETS:		
Unrestricted	3,083,752	3,227,283
Temporarily restricted	711,048	770,381
Total net assets	<u>3,794,800</u>	<u>3,997,664</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,961,743</u>	<u>\$ 4,143,378</u>

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

**MARTHA O'BRYAN CENTER, INC.****STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES, AND OTHER  
CHANGES IN UNRESTRICTED NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
UNRESTRICTED REVENUES:		
Government grants	\$ 348,751	\$ 298,643
Donations and private grants	971,651	1,038,974
Program fees and subsidies	346,426	312,375
Fund raising events	88,383	140,270
Lease fees	7,320	7,200
Interest and miscellaneous	23,178	8,884
Total unrestricted revenues	<u>1,785,709</u>	<u>1,806,346</u>
NET ASSETS RELEASED FROM RESTRICTIONS:		
Restrictions satisfied by incurrence of costs	133,155	95,435
Expiration of time restrictions	614,734	526,469
Total net assets released from restrictions	<u>747,889</u>	<u>621,904</u>
Total unrestricted revenues and other support	<u>2,533,598</u>	<u>2,428,250</u>
EXPENSES:		
Program services:		
Child development	856,414	741,507
Reading	66,067	77,510
Youth services	441,639	393,649
Family and community services	253,743	177,242
Family education	384,296	350,621
Family resource center	68,920	78,355
Supporting services:		
Management and general	209,668	213,601
Development and fund raising	396,382	394,397
Total unrestricted expenses	<u>2,677,129</u>	<u>2,426,882</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (143,531)</u>	<u>\$ 1,368</u>

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

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

**STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
UNRESTRICTED NET ASSETS:		
Total unrestricted revenues	\$ 1,785,709	\$ 1,806,346
Net assets released from restrictions	747,889	621,904
Total unrestricted expenses	<u>(2,677,129)</u>	<u>(2,426,882)</u>
Net change in unrestricted net assets	<u>(143,531)</u>	<u>1,368</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Donations and private grants	657,406	661,379
Fund raising events	31,750	-
Bad debts	(600)	-
Net assets released from restrictions	<u>(747,889)</u>	<u>(621,904)</u>
Net change in temporarily restricted net assets	<u>(59,333)</u>	<u>39,475</u>
INCREASE (DECREASE) IN NET ASSETS	(202,864)	40,843
NET ASSETS, BEGINNING	<u>3,997,664</u>	<u>3,956,821</u>
NET ASSETS, ENDING	<u>\$ 3,794,800</u>	<u>\$ 3,997,664</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, 2006

	Program Services						Supporting Services		Total Expenses
	Child Development	Reading	Youth Services	Family and Community Services	Family Education	Family Resource	Management and General	Development and Fund Raising	
Salaries	\$ 511,639	\$ 45,202	\$ 258,770	\$ 142,223	\$ 248,289	\$ 39,617	\$ 107,852	\$ 246,179	\$ 1,599,771
Employee benefits	71,091	3,595	27,045	9,666	34,231	5,365	11,163	24,526	186,682
Payroll taxes	37,654	3,533	18,890	10,868	18,861	2,933	15,898	18,241	126,878
Total personnel costs	620,384	52,330	304,705	162,757	301,381	47,915	134,913	288,946	1,913,331
Professional services	15,566	395	5,872	1,205	2,490	395	1,975	4,695	32,593
Insurance	7,144	359	6,920	2,628	2,667	968	3,464	2,011	26,161
Food and supplies	67,167	2,565	34,174	47,163	19,902	3,728	7,195	23,924	205,818
Client assistance	-	-	-	8,089	-	-	-	-	8,089
Communications	8,779	2,286	3,224	1,752	9,454	360	3,718	35,329	64,902
Utilities	19,939	1,128	15,359	4,738	9,605	2,978	7,279	1,829	62,855
Building and grounds maintenance	35,767	1,797	28,038	6,345	11,427	4,934	11,480	4,437	104,225
Equipment maintenance and repair	6,415	486	3,356	2,174	3,613	797	7,415	5,223	29,479
Vehicles and travel	4,512	104	3,096	2,293	1,826	14	2,029	856	14,730
Professional development	5,690	5	1,200	608	1,050	18	4,915	2,395	15,881
Subscriptions and memberships	866	349	86	152	168	24	2,570	841	5,056
Interest, fees, licenses and miscellaneous	1,058	115	166	87	69	66	6,450	2,319	10,330
Bad debts	-	-	-	-	-	-	-	13,427	13,427
Total expenses before depreciation	793,287	61,919	406,196	239,991	363,652	62,197	193,403	386,232	2,506,877
Depreciation	63,127	4,148	35,443	13,752	20,644	6,723	16,265	10,150	170,252
Total expenses	\$ 856,414	\$ 66,067	\$ 441,639	\$ 253,743	\$ 384,296	\$ 68,920	\$ 209,668	\$ 396,382	\$ 2,677,129

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, 2005

	Program Services						Supporting Services		Total Expenses
	Child Development	Reading	Youth Services	Family & Community Services	Family Education	Family Resource	Management and General	Development and Fund Raising	
Salaries	\$ 453,876	\$ 46,521	\$ 215,543	\$ 93,774	\$ 227,630	\$ 48,333	\$ 115,564	\$ 209,695	\$ 1,410,936
Employee benefits	65,232	5,703	25,580	8,824	31,945	6,634	11,830	21,351	177,099
Payroll taxes	34,111	3,592	16,584	7,342	17,800	3,576	15,341	15,936	114,282
Total personnel costs	553,219	55,816	257,707	109,940	277,375	58,543	142,735	246,982	1,702,317
Professional services	10,603	483	3,218	1,847	3,089	625	4,279	8,710	32,854
Insurance	6,235	634	7,423	2,016	2,519	1,007	2,948	509	23,291
Food and supplies	50,143	8,744	37,136	29,858	10,516	1,556	6,446	53,761	198,160
Client assistance	-	-	-	6,560	-	-	-	-	6,560
Communications	7,339	646	2,927	1,414	10,813	524	2,151	41,926	67,740
Utilities	18,234	1,855	14,440	5,015	8,415	2,877	6,608	1,756	59,200
Building and grounds maintenance	27,586	2,568	24,262	6,288	10,387	4,568	9,140	5,778	90,577
Equipment maintenance and repair	4,047	331	1,355	983	2,149	1,524	5,913	5,087	21,389
Vehicles and travel	1,240	121	6,474	1,780	2,008	4	2,241	811	14,679
Professional development	2,395	722	633	270	887	4	2,283	4,265	11,459
Subscriptions and memberships	857	476	38	89	90	34	4,017	457	6,058
Interest, fees, licenses and miscellaneous	657	7	139	467	118	-	5,358	2,529	9,275
Bad debts	-	-	-	-	-	-	-	12,613	12,613
Total expenses before depreciation	682,555	72,403	355,752	166,527	328,366	71,266	194,119	385,184	2,256,172
Depreciation	58,952	5,107	37,897	10,715	22,255	7,089	19,482	9,213	170,710
Total expenses	\$ 741,507	\$ 77,510	\$ 393,649	\$ 177,242	\$ 350,621	\$ 78,355	\$ 213,601	\$ 394,397	\$ 2,426,882

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

**MARTHA O'BRYAN CENTER, 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:		
Net change in net assets	\$ (202,864)	\$ 40,843
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Depreciation and amortization	170,252	170,710
Net changes in allowance for uncollectible promises	(12,390)	7,890
Noncash asset donations	(4,450)	-
Net changes in other assets and liabilities:		
Grants receivable	1,528	9,298
Other receivables	(358)	(68)
Unrestricted unconditional promises to give	34,642	10,468
Temporarily restricted unconditional promises to give	88,064	(116,203)
Prepaid expenses	162	7,526
Accounts payable	23,170	(4,662)
Accrued liabilities	(1,941)	(17,195)
Net cash provided by operating activities	<u>95,815</u>	<u>108,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment in certificates of deposit	(6,647)	(393,000)
Purchases of property and equipment	<u>(60,942)</u>	<u>(56,371)</u>
Net cash used for investing activities	<u>(67,589)</u>	<u>(449,371)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	28,226	(340,764)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>407,065</u>	<u>747,829</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 435,291</u>	<u>\$ 407,065</u>

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



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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005**

**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, family services, 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 2006 and 2005 in these financial statements refer to the years ended June 30, 2006 and 2005, 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, 2006 AND 2005**

**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, 2006 AND 2005****NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>2006</u>	<u>2005</u>
Land	\$ 1,150	\$ 1,150
Buildings and improvements	3,478,071	3,458,991
Equipment	386,426	388,939
Vehicles	90,814	68,864
Fixtures	<u>64,046</u>	<u>64,046</u>
Total cost	4,020,507	3,981,990
Less accumulated depreciation and amortization	<u>(1,576,989)</u>	<u>(1,433,912)</u>
Net book value	<u>\$2,443,518</u>	<u>\$2,548,378</u>

**NOTE 5 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
For subsequent fiscal years	\$543,230	\$642,142
For specific purposes:		
Expansion of services to senior citizens	94,484	59,847
Case management	30,000	-
Evaluation of social issues	15,000	-
Cayce Family Resource Council supplies	7,557	10,712
Educational assistance	7,147	4,009
Girls on Track	6,136	-
Data collector	-	30,911
Adult education	-	10,251
All others	<u>7,494</u>	<u>12,509</u>
Total	<u>\$711,048</u>	<u>\$770,381</u>

There were no permanently restricted net assets at June 30, 2006 and 2005. Cash and cash equivalents include \$216,538 of temporarily restricted cash at June 30, 2006.

**NOTE 6 – PROMISES TO GIVE**

Unconditional promises to give consisted of the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Unrestricted promises	\$ 68,479	\$103,122
Temporarily restricted	<u>494,511</u>	<u>582,574</u>
Total	562,990	685,696
Less allowance for uncollectible promises	<u>(-)</u>	<u>(12,390)</u>
Net	<u>\$562,990</u>	<u>\$673,306</u>

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Martha O'Bryan Center, Inc. as of and for the year ended June 30, 2006, and have issued our report thereon dated July 28, 2006. We conducted our audit 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Martha O'Bryan Center, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Martha O'Bryan Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Finance Committee, Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

*Mullins Clemmons & Mayes, PLLC*

Brentwood, Tennessee

July 28, 2006