

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

**FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULE &
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2012 and 2011

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, 2012 and 2011 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 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 Martha O'Bryan Center, Inc. as of June 30, 2012 and 2011 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
March 18, 2013

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MARTHA O'BRYAN CENTER, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,173,624	\$ 1,650,872
Government grants receivable	404,798	58,720
Other receivables	99,605	214,640
Unconditional promises to give, net	341,146	997,749
Prepaid expenses	1,234	15,067
Property and equipment, net	<u>1,923,079</u>	<u>1,945,104</u>
TOTAL ASSETS	<u>\$ 3,943,486</u>	<u>\$ 4,882,152</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 81,492	\$ 101,422
Accrued liabilities	250,440	281,299
Capital lease obligation	13,220	19,131
Deferred grant revenue	-	<u>38,610</u>
Total liabilities	<u>345,152</u>	<u>440,462</u>
NET ASSETS:		
Unrestricted	2,501,891	2,428,522
Temporarily restricted	<u>1,096,443</u>	<u>2,013,168</u>
Total net assets	<u>3,598,334</u>	<u>4,441,690</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,943,486</u>	<u>\$ 4,882,152</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, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Government grants	\$ 1,325,876	\$ -	\$ 1,325,876
Donations and private grants	1,555,496	1,053,098	2,608,594
Program fees and subsidies	1,062,464	-	1,062,464
Fund raising events	58,157	-	58,157
In-kind donations	221,047	-	221,047
Interest and miscellaneous	8,600	-	8,600
Total	<u>4,231,640</u>	<u>1,053,098</u>	<u>5,284,738</u>
NET ASSETS RELEASED FROM RESTRICTIONS:			
Restrictions satisfied by incurrence of costs	1,717,352	(1,717,352)	-
Expiration of time restrictions	252,471	(252,471)	-
Total net assets released from restrictions	<u>1,969,823</u>	<u>(1,969,823)</u>	<u>-</u>
Total revenues, gains and other support	<u>6,201,463</u>	<u>(916,725)</u>	<u>5,284,738</u>
EXPENSES:			
Program services:			
East End Preparatory	885,800	-	885,800
Child development	1,151,517	-	1,151,517
Reading	732,349	-	732,349
Youth services	1,352,982	-	1,352,982
Family and community services	330,324	-	330,324
Family education	520,728	-	520,728
Family resource center	77,548	-	77,548
Supporting services:			
Management and general	482,804	-	482,804
Development and fund raising	594,042	-	594,042
Total expenses	<u>6,128,094</u>	<u>-</u>	<u>6,128,094</u>
NET CHANGE IN NET ASSETS	<u>73,369</u>	<u>(916,725)</u>	<u>(843,356)</u>
NET ASSETS:			
Beginning of year	<u>2,428,522</u>	<u>2,013,168</u>	<u>4,441,690</u>
End of year	<u>\$ 2,501,891</u>	<u>\$ 1,096,443</u>	<u>\$ 3,598,334</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, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Government grants	\$ 953,038	\$ -	\$ 953,038
Donations and private grants	1,920,998	1,717,573	3,638,571
Program fees and subsidies	316,273	-	316,273
Fund raising events	69,462	-	69,462
In-kind donations	199,761	-	199,761
Lease fees	1,850	-	1,850
Interest and miscellaneous	10,406	-	10,406
Total	<u>3,471,788</u>	<u>1,717,573</u>	<u>5,189,361</u>
NET ASSETS RELEASED FROM RESTRICTIONS:			
Restrictions satisfied by incurrence of costs	867,710	(867,710)	-
Expiration of time restrictions	413,742	(413,742)	-
Total net assets released from restrictions	<u>1,281,452</u>	<u>(1,281,452)</u>	<u>-</u>
Total revenues, gains and other support	<u>4,753,240</u>	<u>436,121</u>	<u>5,189,361</u>
EXPENSES:			
Program services:			
Child development	1,277,733	-	1,277,733
Reading	725,164	-	725,164
Youth services	997,887	-	997,887
Family and community services	265,426	-	265,426
Family education	622,768	-	622,768
Family resource center	91,566	-	91,566
Supporting services:			
Management and general	407,622	-	407,622
Development and fund raising	647,929	-	647,929
Total expenses	<u>5,036,095</u>	<u>-</u>	<u>5,036,095</u>
NET CHANGE IN NET ASSETS	(282,855)	436,121	153,266
NET ASSETS:			
Beginning of year	<u>2,711,377</u>	<u>1,577,047</u>	<u>4,288,424</u>
End of year	<u>\$ 2,428,522</u>	<u>\$ 2,013,168</u>	<u>\$ 4,441,690</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, 2012

	Program Services					Supporting Services			Total
	East End Preparatory	Child Development	Reading	Youth Services	Community Services	Family Education	Family Resource	Management and Development	
Salaries	\$ 502,022	\$ 828,700	\$ 431,733	\$ 915,557	\$ 204,122	\$ 290,325	\$ 53,532	\$ 242,275	\$ 3,871,179
Employee benefits	95,117	70,409	24,646	83,963	19,274	33,429	7,389	22,385	396,373
Payroll taxes	38,803	49,480	32,916	67,539	15,004	21,447	3,984	25,452	262,935
Total personnel costs	635,942	948,589	489,295	1,067,059	238,400	345,201	64,905	290,112	4,550,487
Professional services	67,998	17,531	4,396	47,864	10,809	3,084	2,222	74,778	237,560
Insurance	8,777	6,909	573	5,954	4,214	1,115	876	1,843	31,140
Food and supplies	56,257	90,246	49,128	87,417	28,104	114,216	295	36,502	480,831
Client assistance	-	-	-	4,977	-	27,230	20	3,094	35,391
Communications	17,316	4,746	409	11,280	3,351	808	1,204	8,720	85,948
Utilities	-	16,915	1,404	18,557	10,317	2,730	2,144	7,462	61,681
Building and grounds maintenance	40,137	19,422	1,587	18,650	16,052	3,086	2,424	9,231	113,056
Equipment maintenance and repair	3,264	3,059	193	3,372	4,197	610	296	1,661	21,702
Copier allocations	9,525	6,538	5,468	8,455	2,495	5,618	920	(21,526)	19,872
Vehicles and travel	888	5,016	4,639	12,115	3,832	3,665	486	15,660	47,349
Professional development	23,219	2,373	3,770	3,326	413	1,724	-	9,889	46,041
Afterschool programming	-	-	154,310	-	-	-	-	-	154,310
Subscriptions and memberships	90	539	201	175	240	111	24	1,476	2,880
Interest, fees, licenses, miscellaneous and in-kind gifts	17,765	4,284	589	33,843	643	31	24	33,659	110,358
Bad debts	-	-	-	-	-	-	-	-	9,400
Total expenses before depreciation	881,178	1,126,167	715,962	1,323,044	323,067	509,229	75,840	472,561	6,008,006
Depreciation	4,622	25,350	16,387	29,938	7,257	11,499	1,708	10,243	120,088
Total expenses	\$ 885,800	\$ 1,151,517	\$ 732,349	\$ 1,352,982	\$ 330,324	\$ 520,728	\$ 77,548	\$ 482,804	\$ 6,128,094

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, 2011

	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	\$ 797,310	\$ 426,416	\$ 671,944	\$ 147,718	\$ 327,616	\$ 66,347	\$ 213,140	\$ 402,730	\$ 3,053,221	
Employee benefits	104,523	26,518	53,388	11,864	34,811	6,583	16,492	38,817	292,996	
Payroll taxes	55,604	30,723	49,053	10,429	24,202	4,696	14,356	29,014	218,077	
Total personnel costs	957,437	483,657	774,385	170,011	386,629	77,626	243,988	470,561	3,564,294	
Professional services	21,476	1,230	14,984	11,401	40,436	1,879	69,124	11,676	172,206	
Insurance	8,500	680	8,013	5,086	1,321	1,198	3,367	1,486	29,651	
Food and supplies	94,400	33,087	57,350	35,929	113,816	651	32,630	31,030	398,893	
Client assistance	-	-	3,646	5,055	33,069	-	1,286	-	43,056	
Communications	4,571	465	7,124	2,285	1,013	1,444	2,704	46,783	66,389	
Utilities	24,685	1,670	22,388	12,273	4,054	2,552	7,273	772	75,667	
Building and grounds maintenance	16,641	1,554	20,255	11,950	6,417	2,374	6,995	3,970	70,156	
Equipment maintenance and repair	5,653	651	12,850	698	(743)	144	18,262	4,790	42,305	
Copier allocations	6,856	3,369	6,051	1,721	4,041	1,077	(15,588)	1,442	8,969	
Vehicles and travel	17,738	4,013	15,372	2,552	2,488	446	6,526	1,748	50,883	
Professional development	7,946	1,010	1,611	-	15,063	-	5,868	100	31,598	
Afterschool programming	-	176,920	-	-	-	-	-	-	176,920	
Subscriptions and memberships	509	-	-	-	373	-	1,180	890	2,952	
Interest, fees, licenses and miscellaneous and in-kind gifts	33,114	1,076	30,348	161	-	-	12,866	10,190	87,775	
East End Prep start-up costs	47,524	-	-	-	-	-	-	-	47,524	
Bad debts	-	-	-	-	-	-	-	47,250	47,250	
Total expenses before depreciation	1,247,050	709,382	974,377	259,122	607,977	89,391	386,501	632,688	4,916,488	
Depreciation	30,683	15,782	23,510	6,304	14,791	2,175	11,121	15,241	119,607	
Total expenses	\$ 1,277,733	\$ 725,164	\$ 997,887	\$ 265,426	\$ 622,768	\$ 91,566	\$ 407,622	\$ 647,929	\$ 5,036,095	

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in net assets	\$ (843,356)	\$ 153,266
Adjustments to reconcile net change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	120,088	119,606
Net change in allowance for uncollectible promises	(32,733)	25,000
Net changes in other assets and liabilities:		
Grants receivable	(346,078)	106,396
Other receivables	115,035	(29,322)
Unrestricted unconditional promises to give	59,306	37,524
Temporarily restricted unconditional promises to give	630,030	(514,865)
Prepaid expenses	13,833	(4,735)
Accounts payable	(19,930)	17,109
Accrued liabilities	(30,859)	68,802
Deferred grant revenue	(38,610)	38,610
Net cash provided by (used in) operating activities	<u>(373,274)</u>	<u>17,391</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(98,063)	(36,413)
Redemption of preferred stock	-	8,000
Redemption of certificate of deposit	-	253,111
Net cash provided by (used in) investing activities	<u>(98,063)</u>	<u>224,698</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of capital lease obligations	(5,911)	(5,680)
Net cash used in financing activities	<u>(5,911)</u>	<u>(5,680)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(477,248)	236,409
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,650,872</u>	<u>1,414,463</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,173,624</u>	<u>\$ 1,650,872</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash payments for interest	\$ 658	\$ 889

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

MARTHA O'BRYAN CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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 East End Preparatory, 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.

During 2011, the Center received funding for a charter school, East End Preparatory ("EEP") School, in East Nashville. EEP plans to provide kindergarten through grade five students with the academic foundation necessary to excel in middle school and beyond, while fully integrating familial and community support to help them achieve their goals. EEP opened in August 2011 with four kindergarten classes and plans to add an additional grade each year culminating with the addition of a fifth grade in the 2016-2017 fiscal year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2012 and 2011 in these financial statements refer to the years ended June 30, 2012 and 2011, respectively, unless otherwise noted.

Basis of Accounting

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

Contributions and 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 4 for further details.

Grant Revenues and Receivables

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.

MARTHA O'BRYAN CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenues and Receivables

The Center received Federal financial assistance through state agencies, as well as state and local government grants. The expenditure of funds received under these programs generally required compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the Center. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center as of June 30, 2012.

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.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, receivables, unconditional promises to give, accounts payable, accrued liabilities and capital lease obligation approximate fair value because of the short maturity of these instruments.

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 Center recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Center receives services from a large number of volunteers who give significant amounts of their time to the Center's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

MARTHA O'BRYAN CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Center files an annual information return (Form 990) with the U.S. government. At June 30, 2012, the Center is no longer subject to U.S. tax examinations of these information returns by tax authorities for years before June 30, 2009.

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. The Center accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Center include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax. The Center has determined that such tax positions do not result in an uncertainty requiring recognition.

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 9 for further details.

Events Occurring After Reporting Date

The Center has evaluated events and transactions that occurred between June 30, 2012 and March 18, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 – SIGNIFICANT SUPPORT

The Center receives a substantial amount of its support from various governmental agencies 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, 2012 AND 2011**

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Unrestricted promises to give	\$ 54,536	\$ 113,842
Temporarily restricted promises to give	288,877	918,907
Gross promises to give	343,413	1,032,749
Less allowance for uncollectible promises	(2,267)	(35,000)
Net promises to give	341,146	997,749
Promises receivable due in less than one year	259,398	987,295
Promises receivable due within one to five years	<u>\$ 81,748</u>	<u>\$ 10,454</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 1,150	\$ 1,150
Buildings and improvements	3,583,128	3,580,232
Equipment	555,743	473,826
Vehicles	30,572	30,572
Fixtures	78,839	65,589
Total cost	4,249,432	4,151,369
Less accumulated depreciation and amortization	(2,326,353)	(2,206,265)
Property and equipment, net	<u>\$ 1,923,079</u>	<u>\$ 1,945,104</u>

NOTE 6 – LEASES

During 2010, the Center financed the purchase of a copier with a capital lease at an imputed interest rate of 4% and capitalized cost of \$29,822. Accumulated depreciation in the statement of financial position includes \$17,892 related to the copier. Depreciation expense reported in the statement of activities for 2012 includes \$5,964 for the copier under capital lease.

During 2012, the Center began renting educational space from the Metropolitan Government of Nashville for its charter school, East End Prep. The current lease term ends June 30, 2013. The Center also leases copiers under the terms of non-cancellable operating leases. Rent expense under all leases totaled \$33,645.

MARTHA O'BRYAN CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011**

NOTE 6 – LEASES (CONTINUED)

Future minimum lease payments under noncancellable leases as of June 30, 2012 are as follows:

	<u>Capital Lease</u>	<u>Operating Leases</u>
Fiscal years ending June 30,:		
2013	\$ 9,828	\$ 94,936
2014	9,828	5,766
2015	819	4,870
Total payments	<u>20,475</u>	<u>\$ 105,572</u>
Less amount representing interest	(585)	
Less amount representing executory costs	<u>(6,670)</u>	
Present value of minimum lease payments	<u>\$ 13,220</u>	

NOTE 7 – NOTES PAYABLE

The Center has an agreement with a local financial institution for an unsecured revolving line of credit with a maximum availability of \$300,000. Any outstanding borrowings and all accrued interest are due on August 23, 2013. Interest is payable monthly at the institution's prime rate of interest plus 0.5%, but in no event will the rate be less than 4%. There were no amounts outstanding under this line of credit at June 30, 2012.

NOTE 8 – RETIREMENT PLANS

The Center maintains a 401(k) retirement plan. Employees are eligible to participate in the 401(k) plan after completing one year of service and attaining age eighteen. The Center may make matching contributions to the plan on a discretionary basis.

EEP certified teachers participate in the State Employees, Teachers, and Higher Education Employees Pension Plan, a cost-sharing, multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System. The Center contributed 9.05% of covered payroll to the plan for 2012. All other EEP employees participate in the Metropolitan Government of Nashville and Davidson County's Division B Pension Plan, a defined benefit single-employer pension plan managed and administered by the Metropolitan Employee Benefit Board, an independent board created by the Metropolitan Charter. The Center contributed 15.416% of covered payroll for support employees to the plan for 2012.

The total employer expense of the Center for the above plans was \$61,073 and \$45,131 for 2012 and 2011, respectively.

MARTHA O'BRYAN CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011**

NOTE 9 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
For subsequent fiscal years	\$ 288,877	\$ 928,043
For specific purposes:		
Employee infrastructure expansion	260,227	661,326
Frist renovations	211,000	-
Neighborhood builders	92,172	97,592
Thrive	18,758	86,309
Tied Together	8,482	63,507
Promise Neighborhood	57,531	55,333
Educational assistance	27,650	51,787
Work Ready	80,000	40,000
Joyful Noise	13,024	14,463
Flood assistance	-	7,584
All others (less than \$10,000 individually in either year)	38,722	7,224
Total	<u>\$ 1,096,443</u>	<u>\$ 2,013,168</u>

There were no permanently restricted net assets at June 30, 2012 and 2011. Cash and cash equivalents include \$807,567 and \$1,132,872 of temporarily restricted cash at June 30, 2012 and 2011.

NOTE 10 – 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 \$23,670 and \$27,724 was received from the Foundation during 2012 and 2011, respectively.

NOTE 11 – RECLASSIFICATIONS

Certain amounts for 2011 have been reclassified to be consistent with the presentation for 2012. 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

MARTHA O'BRYAN CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	Program Name	Grant/Contract Number	Pass-through Grantor Agency	Beginning Receivable, (Deferred)	Cash Receipts	Expenditures	Ending Receivable, (Deferred)
94.006	AmeriCorps	DG-05-01914-06 & 05-037379-05	Tennessee Dept. of Finance and Administration	\$ 13,738	\$ 199,761	\$ 213,118	\$ 27,095
84.287C	21st Century Community Learning Center	Z-09-212332-00	Tennessee Department of Education	10,099	8,831	104,689	105,957
84.282A	EEP Planning Grant	U282A090013	Tennessee Department of Education	(38,610)	162,607	302,509	101,292
84.215P	Promise Neighborhood	U215P110075	Tennessee Department of Education	-	102,487	126,492	24,005
Subtotal to next page				\$ (14,773)	\$ 473,686	\$ 746,808	\$ 258,349

Federal Awards:

Basis of Presentation: The above schedule is prepared on the accrual basis of accounting.

MARTHA O'BRYAN CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	Program Name	Grant/Contract Number	Pass-through Grantor Agency	Beginning Receivable, (Deferred)	Cash Receipts	Expenditures	Ending Receivable, (Deferred)
				\$ (14,773)	\$ 473,686	\$ 746,808	\$ 258,349
Federal Awards (continued):							
	Subtotal from previous page						
	Title I Grants to Local Educational Agencies (passed through Metro Nashville Public Schools)	n/a	Tennessee Department of Education	-	84,439	84,439	-
84.027	Special Education Grants to States	n/a	Tennessee Department of Education	-	8,567	8,567	-
10.555	National School Lunch Program	n/a	Department of Agriculture	-	50,792	57,999	7,207
Total Federal Awards				\$ (14,773)	\$ 617,484	\$ 897,813	\$ 265,556

Basis of Presentation: The above schedule is prepared on the accrual basis of accounting.

MARTHA O'BRYAN CENTER, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

CFDA Number	Program Name	Grant/Contract Number	Grantor Agency	Beginning Receivable, (Deferred)	Cash Receipts	Expenditures	Ending Receivable, (Deferred)
<u>State Financial Assistance:</u>							
N/A	GOCCC-Tied Together	GR1028533	Tennessee Dept. of Finance and Administration	\$ 24,280	\$ 24,280	\$ -	\$ -
N/A	CACFP	03-47-50955-00-9	Tennessee Dept. of Human Services	\$ 10,603	\$ 90,841	\$ 99,963	19,725
N/A	Tied Together Program	GR1238698	Department of Children's Services Tennessee	-	-	100,000	100,000
N/A	Basic Education Program- Capital Outlay	n/a	Department of Education Tennessee	-	11,000	11,000	-
N/A	LEAPs	33119-01512	Department of Education	-	100,000	100,000	-
Total State Financial Assistance				\$ 34,883	\$ 226,121	\$ 310,963	\$ 119,725
Total Federal Awards and State Financial Assistance				\$ 20,110	\$ 843,605	\$ 1,208,776	\$ 385,281

Basis of Presentation: The above schedule is prepared on the accrual basis of accounting.

MARTHA O'BRYAN CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	Program Name	Grant/Contract Number	Grantor Agency	Beginning Receivable, (Deferred)	Cash Receipts	Expenditures	Ending Receivable, (Deferred)
Total Federal Awards and State Financial Assistance per previous page				\$ 20,110	\$ 843,605	\$ 1,208,776	\$ 385,281
<u>Memo Item - Local Government Financial Assistance:</u>							
N/A	Community Enhancement	L-2317	Metro Govt of Nashville and Davidson County	\$ -	\$ 97,583	\$ 117,100	\$ 19,517
Total Government Grants reported in the Financial Statements				\$ 20,110	\$ 941,188	\$ 1,325,876	\$ 404,798

Basis of Presentation: The above schedule is prepared on the accrual basis of accounting.