

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2007 and 2006**

**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, 2007 and 2006 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, 2007 and 2006 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 August 10, 2007, 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  
August 10, 2007

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

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 923,798	\$ 435,291
Certificates of deposit	-	399,647
Federal and state grants receivable	52,965	43,353
Other receivables	45,209	36,011
Unconditional promises to give, net	773,407	562,990
Prepaid expenses	18,859	32,933
Property and equipment, net	2,325,523	2,443,518
Other assets	8,000	8,000
<b>TOTAL ASSETS</b>	<b><u>\$ 4,147,761</u></b>	<b><u>\$ 3,961,743</u></b>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 28,040	\$ 47,657
Accrued liabilities	156,783	119,286
Total liabilities	<u>184,823</u>	<u>166,943</u>
NET ASSETS:		
Unrestricted	3,003,541	3,083,752
Temporarily restricted	959,397	711,048
Total net assets	<u>3,962,938</u>	<u>3,794,800</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,147,761</u></b>	<b><u>\$ 3,961,743</u></b>

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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
UNRESTRICTED REVENUES:		
Government grants	\$ 400,819	\$ 348,751
Donations and private grants	1,216,826	967,201
Program fees and subsidies	341,184	346,426
Fund raising events	21,616	88,383
In-kind donations	66,491	4,450
Lease fees	7,200	7,320
Interest and miscellaneous	30,994	23,178
Total unrestricted revenues	<u>2,085,130</u>	<u>1,785,709</u>
NET ASSETS RELEASED FROM RESTRICTIONS:		
Restrictions satisfied by incurrence of costs	151,354	133,155
Expiration of time restrictions	548,016	614,734
Total net assets released from restrictions	<u>699,370</u>	<u>747,889</u>
Total unrestricted revenues and other support	<u>2,784,500</u>	<u>2,533,598</u>
EXPENSES:		
Program services:		
Child development	925,466	856,414
Reading	68,667	66,067
Youth services	498,288	441,639
Family and community services	275,707	253,743
Family education	377,676	384,296
Family resource center	89,057	68,920
Supporting services:		
Management and general	218,737	209,668
Development and fund raising	411,112	396,382
Total unrestricted expenses	<u>2,864,710</u>	<u>2,677,129</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>\$ (80,210)</u>	<u>\$ (143,531)</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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
UNRESTRICTED NET ASSETS:		
Total unrestricted revenues	\$ 2,085,130	\$ 1,785,709
Net assets released from restrictions	699,370	747,889
Total unrestricted expenses	<u>(2,864,710)</u>	<u>(2,677,129)</u>
Net change in unrestricted net assets	<u>(80,210)</u>	<u>(143,531)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Donations and private grants	884,493	657,406
Fund raising events	63,225	31,750
Bad debts	-	(600)
Net assets released from restrictions	<u>(699,370)</u>	<u>(747,889)</u>
Net change in temporarily restricted net assets	<u>248,348</u>	<u>(59,333)</u>
INCREASE (DECREASE) IN NET ASSETS	168,138	(202,864)
NET ASSETS, BEGINNING	<u>3,794,800</u>	<u>3,997,664</u>
NET ASSETS, ENDING	<u><u>\$ 3,962,938</u></u>	<u><u>\$ 3,794,800</u></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, 2007

	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	\$ 571,555	\$ 46,974	\$ 300,068	\$ 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.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2006

	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	\$ 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.****STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in net assets	\$ 168,138	\$ (202,864)
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Depreciation and amortization	173,100	170,252
Net changes in allowance for uncollectible promises	6,290	(12,390)
Noncash asset donations	-	(4,450)
Net changes in other assets and liabilities:		
Grants receivable	(9,612)	1,528
Other receivables	(9,198)	(358)
Unrestricted unconditional promises to give	(30,082)	34,642
Temporarily restricted unconditional promises to give	(186,625)	88,064
Prepaid expenses	14,074	162
Accounts payable	(19,617)	23,170
Accrued liabilities	37,497	(1,941)
Net cash provided by operating activities	<u>143,965</u>	<u>95,815</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment in certificates of deposit	-	(6,647)
Redemption of certificates of deposit	399,647	-
Purchases of property and equipment	(55,105)	(60,942)
Net cash provided by (used in) investing activities	<u>344,542</u>	<u>(67,589)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	488,507	28,226
CASH AND CASH EQUIVALENTS, BEGINNING	<u>435,291</u>	<u>407,065</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 923,798</u>	<u>\$ 435,291</u>

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

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**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 2007 and 2006 in these financial statements refer to the years ended June 30, 2007 and 2006, 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, 2007 AND 2006**

**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, 2007 AND 2006**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u><b>2007</b></u>	<u><b>2006</b></u>
Land	\$ 1,150	\$ 1,150
Buildings and improvements	3,502,261	3,478,071
Equipment	365,218	386,426
Vehicles	63,981	90,814
Fixtures	<u>64,815</u>	<u>64,046</u>
Total cost	3,997,425	4,020,507
Less accumulated depreciation and amortization	<u>(1,671,902)</u>	<u>(1,576,989)</u>
Net book value	<u><b>\$2,325,523</b></u>	<u><b>\$2,443,518</b></u>

**NOTE 5 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2007 and 2006:

	<u><b>2007</b></u>	<u><b>2006</b></u>
For subsequent fiscal years	\$748,642	\$543,230
For specific purposes:		
Expansion of services to senior citizens	56,014	94,484
Cayce Family Resource Council supplies	27,161	7,557
Educational assistance	26,011	7,147
Jobs for Life	26,416	2,464
Joyful Noise	13,123	-
Cayce Family Resource director	10,000	-
Playground equipment and supplies	10,000	-
Evaluation of social issues	3,316	15,000
Case management	-	30,000
All others (less than \$10,000 individually in either year)	<u>38,714</u>	<u>11,166</u>
Total	<u><b>\$959,397</b></u>	<u><b>\$711,048</b></u>

There were no permanently restricted net assets at June 30, 2007 and 2006. Cash and cash equivalents include \$278,301 and \$216,538 of temporarily restricted cash at June 30, 2007 and 2006.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007 AND 2006**

**NOTE 6 – PROMISES TO GIVE**

Unconditional promises to give consisted of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Unrestricted promises	\$ 98,562	\$ 68,479
Temporarily restricted	<u>681,135</u>	<u>494,511</u>
Total	779,697	562,990
Less allowance for uncollectible promises	<u>(6,290)</u>	-
Net	<u>\$773,407</u>	<u>\$562,990</u>

**NOTE 7 – RECLASSIFICATIONS**

Certain amounts for 2006 have been reclassified to be consistent with the presentation for 2007. These reclassifications did not have a significant effect on the Center's previously reported financial position, changes in net assets, and cash flows.