

BIG BROTHERS OF NASHVILLE

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

For the years ended June 30, 2007 and 2006

BIG BROTHERS OF NASHVILLE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Brothers of Nashville
Nashville, Tennessee

We have audited the accompanying statements of financial position of Big Brothers of Nashville (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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. 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 Big Brothers of Nashville 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 accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

December 18, 2007

BIG BROTHERS OF NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 265,691	\$ 278,488
Cash and cash equivalents, restricted for Project Help	52,183	18,620
Deposits	2,000	2,000
Unconditional promises to give	<u>-</u>	<u>2,500</u>
Total current assets	319,874	301,608
Property and equipment - net of accumulated depreciation of \$26,968 and \$26,486 in 2007 and 2006, respectively	<u>1,736</u>	<u>2,218</u>
Total assets	<u><u>\$ 321,610</u></u>	<u><u>\$ 303,826</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accrued expenses	\$ 8,356	\$ 6,169
Deferred revenue	<u>305</u>	<u>305</u>
Total current liabilities	<u>8,661</u>	<u>6,474</u>
Net assets:		
Unrestricted	14,603	45,398
Board designated	<u>238,648</u>	<u>229,552</u>
Total unrestricted	253,251	274,950
Temporarily restricted	<u>59,698</u>	<u>22,402</u>
Total net assets	<u>312,949</u>	<u>297,352</u>
Total liabilities and net assets	<u><u>\$ 321,610</u></u>	<u><u>\$ 303,826</u></u>

See accompanying notes.

BIG BROTHERS OF NASHVILLE
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Unrestricted Net Assets</u>		
Revenue:		
Public support	\$ 202,232	\$ 157,238
In-kind contributions	4,041	10,712
Interest income	10,329	7,085
	<u>216,602</u>	<u>175,035</u>
Expenses:		
Project Help assistance	152,721	250,638
Program and community services	156,954	142,157
General and administrative expenses	62,092	58,890
Fundraising	23,295	29,932
	<u>395,062</u>	<u>481,617</u>
Change in unrestricted net assets before net assets released from restrictions	(178,460)	(306,582)
Net assets released from restrictions - satisfaction of purpose restrictions	<u>156,761</u>	<u>266,601</u>
Change in unrestricted net assets	<u>(21,699)</u>	<u>(39,981)</u>
<u>Temporarily Restricted Net Assets</u>		
Revenue:		
Project Help contributions	169,057	208,094
Project Help administration	25,000	24,000
Release of restrictions:		
Transferred to unrestricted net assets	<u>(156,761)</u>	<u>(266,601)</u>
Change in temporarily restricted net assets	<u>37,296</u>	<u>(34,507)</u>
Change in net assets	15,597	(74,488)
Net assets - beginning of year	<u>297,352</u>	<u>371,840</u>
Net assets - end of year	<u>\$ 312,949</u>	<u>\$ 297,352</u>

See accompanying notes.

BIG BROTHERS OF NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2007

	<u>Program Services</u>				<u>Total</u>
	<u>Project Help Assistance</u>	<u>Program and Community Services</u>	<u>General and Administrative</u>	<u>Fund- Raising</u>	
Salaries	\$ 17,226	\$ 27,791	\$ 26,222	\$ -	\$ 71,239
Payroll taxes	-	2,859	1,988	-	4,847
Total salaries and related benefits	17,226	30,650	28,210	-	76,086
Utilities	135,495	54,112	5,770	-	195,377
Rent	-	59,591	13,469	-	73,060
Red Nose Run expense	-	-	-	10,703	10,703
Food baskets (in-kind of \$1,000)	-	9,422	-	-	9,422
Cool Country Run expense	-	-	-	9,280	9,280
Professional fees	-	-	6,246	-	6,246
Supplies	-	-	5,275	-	5,275
Food certificates	-	2,710	-	-	2,710
Other fundraising	-	-	-	1,713	1,713
Tabloid expense	-	-	-	1,599	1,599
Insurance	-	-	1,190	-	1,190
Dues and subscriptions	-	-	868	-	868
Postage	-	-	702	-	702
Other assistance	-	349	-	-	349
Total expenses before depreciation	152,721	156,834	61,730	23,295	394,580
Depreciation	-	120	362	-	482
Total expenses	\$ 152,721	\$ 156,954	\$ 62,092	\$ 23,295	\$ 395,062

See accompanying notes.

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

	<u>Program Services</u>				<u>Total</u>
	<u>Project Help Assistance</u>	<u>Program and Community Services</u>	<u>General and Administrative</u>	<u>Fund- Raising</u>	
Salaries	\$ 18,625	\$ 19,240	\$ 29,613	\$ -	\$ 67,478
Payroll taxes	-	2,062	2,752	-	4,814
 Total salaries and related benefits	 18,625	 21,302	 32,365	 -	 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	 250,638	 142,084	 58,601	 29,932	 481,255
Depreciation	-	73	289	-	362
 Total expenses	 <u>\$ 250,638</u>	 <u>\$ 142,157</u>	 <u>\$ 58,890</u>	 <u>\$ 29,932</u>	 <u>\$ 481,617</u>

See accompanying notes.

BIG BROTHERS OF NASHVILLE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 15,597	\$ (74,488)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions of equipment	-	(437)
Depreciation	482	362
Changes in operating assets and liabilities:		
Unconditional promises to give	2,500	-
Accrued expenses	2,187	3,961
	<u>20,766</u>	<u>(70,602)</u>
Net increase (decrease) in cash and cash equivalents	20,766	(70,602)
Cash and cash equivalents - beginning of year	<u>297,108</u>	<u>367,710</u>
Cash and cash equivalents - end of year	<u>\$ 317,874</u>	<u>\$ 297,108</u>
Supplemental cash flow information:		
Noncash contribution of equipment	<u>\$ -</u>	<u>\$ 437</u>

See accompanying notes.

BIG BROTHERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Organization

Big Brothers of Nashville (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 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, 2007 and 2006, 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
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

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 civic or religious organizations and partners.

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
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

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, 2007 and 2006 amounted to \$0 and \$175, respectively.

Reclassifications

Certain reclassifications have been made to the 2006 balances to conform with 2007 presentation.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 20,902	\$ 20,902
Leasehold improvements	5,193	5,193
Furniture and fixtures	<u>2,609</u>	<u>2,609</u>
	28,704	28,704
Less accumulated depreciation	<u>(26,968)</u>	<u>(26,486)</u>
	<u>\$ 1,736</u>	<u>\$ 2,218</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>2007</u>	<u>2006</u>
Technology consulting	\$ 1,000	\$ 1,875
Food basket contents	1,425	-
Cool Country Run advertising	1,000	8,400
Other	<u>616</u>	<u>437</u>
	<u>\$ 4,041</u>	<u>\$ 10,712</u>

BIG BROTHERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 5 – CONCENTRATIONS

Cash and investments include funds deposited in FDIC insured bank accounts totaling \$317,874 and \$297,108, respectively, at June 30, 2007 and 2006. 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>	
2008	\$ 6,600
2009	6,600
2010	<u>2,200</u>
	<u>\$ 15,400</u>

Rent expense was \$13,469 and \$8,681, respectively, for the years ended June 30, 2007 and 2006.

NOTE 7 – PROJECT HELP

The Organization has an agreement with Nashville Electric Service and Nashville Gas Company whereby Big Brothers of Nashville 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 \$25,000 and \$24,000, respectively, for the years ended June 30, 2007 and 2006 to cover the costs of administering the program from the sponsoring companies. The contract with Nashville Electric Service and Nashville Gas Company expired October 31, 2007. Effective November 1, 2007, the Organization renewed their contract with Nashville Electric Service for a three year period. It is not anticipated that Nashville Gas will continue participation in Project Help.

During the years ended June 30, 2007 and 2006, the Organization collected and distributed the following amounts as administrator of Project Help:

	<u>2007</u>	<u>2006</u>
Revenues:		
Donations through Nashville Electric Service	\$ 139,639	\$ 153,866
Donations through Nashville Gas Company	29,357	53,470
Other contributions and interest	<u>62</u>	<u>758</u>
Total revenues	<u>169,058</u>	<u>208,094</u>

BIG BROTHERS OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 7 – PROJECT HELP (Continued)

Expenses:		
Disbursements for electricity	108,215	181,075
Disbursements for natural gas	27,174	48,786
Disbursements for other expenses	<u>106</u>	<u>2,152</u>
 Total expenses	 <u>135,495</u>	 <u>232,013</u>
 Net increase (decrease)	 33,563	 (23,919)
 Cash balance – beginning of year	 <u>18,620</u>	 <u>42,539</u>
 Cash balance – end of year	 <u>\$ 52,183</u>	 <u>\$ 18,620</u>