

**BIG BROTHERS/BIG SISTERS
OF MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

December 31, 2015 and 2014

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

TABLE OF CONTENTS

Independent Auditor’s Report 2 – 3

Financial Statements:

 Statements of Financial Position 4

 Statements of Activities 5 – 6

 Statements of Functional Expenses 7 – 8

 Statements of Cash Flows 9

Notes to Financial Statements 10 – 14



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Big Brothers/Big Sisters of Middle Tennessee
Nashville, Tennessee

We have audited the accompanying financial statements of Big Brothers/Big Sisters of Middle Tennessee (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers/Big Sisters of Middle Tennessee as of December 31, 2015 and 2014, 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.

Fraser, Dean & Hand, PLLC

July 13, 2016

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 552,412	\$ 486,728
Investments	-	85
Accounts receivable	15,599	34,583
Grants receivable	131,023	111,709
Prepaid expenses and other	<u>12,367</u>	<u>5,350</u>
Total current assets	711,401	638,455
Buildings and equipment, net	<u>1,386,019</u>	<u>1,432,827</u>
Total assets	<u><u>\$ 2,097,420</u></u>	<u><u>\$ 2,071,282</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 62,154	\$ 91,422
Note payable, current portion	<u>22,153</u>	<u>23,494</u>
Total current liabilities	84,307	114,916
Note payable, net of current portion	<u>-</u>	<u>25,262</u>
Total liabilities	<u>84,307</u>	<u>140,178</u>
Net assets:		
Unrestricted	1,948,113	1,874,646
Temporarily restricted	<u>65,000</u>	<u>56,458</u>
Total net assets	<u>2,013,113</u>	<u>1,931,104</u>
Total liabilities and net assets	<u><u>\$ 2,097,420</u></u>	<u><u>\$ 2,071,282</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions	\$ 599,227	\$ -	\$ 599,227
Grants - other	593,058	65,000	658,058
Fundraising events	515,927	-	515,927
Federal grants	325,065	-	325,065
State grants	250,000	-	250,000
United Way	182,068	-	182,068
In-kind	148,090	-	148,090
Rent	6,667	-	6,667
Investment loss, net	(1,209)	-	(1,209)
Net assets released from restrictions	56,458	(56,458)	-
	<u>2,675,351</u>	<u>8,542</u>	<u>2,683,893</u>
Total revenue, gains and other support			
Expenses:			
Program services	<u>1,671,723</u>	<u>-</u>	<u>1,671,723</u>
Supporting services:			
Management and general	212,759	-	212,759
Fundraising	<u>698,561</u>	<u>-</u>	<u>698,561</u>
Total supporting services	<u>911,320</u>	<u>-</u>	<u>911,320</u>
National program fees	<u>18,841</u>	<u>-</u>	<u>18,841</u>
Total expenses	<u>2,601,884</u>	<u>-</u>	<u>2,601,884</u>
Change in net assets	73,467	8,542	82,009
Net assets at beginning of year	<u>1,874,646</u>	<u>56,458</u>	<u>1,931,104</u>
Net assets at end of year	<u>\$ 1,948,113</u>	<u>\$ 65,000</u>	<u>\$ 2,013,113</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions	\$ 518,763	\$ 5,000	\$ 523,763
Grants - other	451,440	66,500	517,940
Fundraising events	504,009	-	504,009
Federal grants	353,728	-	353,728
State grants	250,000	-	250,000
United Way	176,526	-	176,526
In-kind	139,665	-	139,665
Rent	3,790	-	3,790
Investment income, net	(931)	-	(931)
Net assets released from restrictions	141,288	(141,288)	-
	<u>2,538,278</u>	<u>(69,788)</u>	<u>2,468,490</u>
Total revenue, gains and other support			
Expenses:			
Program services	1,428,700	-	1,428,700
Supporting services:			
Management and general	191,316	-	191,316
Fundraising	616,706	-	616,706
	<u>808,022</u>	<u>-</u>	<u>808,022</u>
Total supporting services			
National program fees	7,000	-	7,000
	<u>2,243,722</u>	<u>-</u>	<u>2,243,722</u>
Total expenses			
Change in net assets	294,556	(69,788)	224,768
Net assets at beginning of year	1,580,090	126,246	1,706,336
Net assets at end of year	<u>\$ 1,874,646</u>	<u>\$ 56,458</u>	<u>\$ 1,931,104</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	<u>Program Services</u>	<u>Supporting Services</u>		<u>National Program Fees</u>	<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fund Raising</u>		
Salaries	\$ 975,899	\$ 46,447	\$ 306,678	\$ -	\$ 1,329,024
Payroll taxes	71,730	3,414	22,542	-	97,686
Employee benefits	122,715	5,841	38,563	-	167,119
	<u>1,170,344</u>	<u>55,702</u>	<u>367,783</u>	<u>-</u>	<u>1,593,829</u>
Total salaries and related expenses					
In-kind activities	18,248	-	129,842	-	148,090
Subrecipient expenditures - state grants	135,932	-	-	-	135,932
Professional fees	1,954	118,989	10,926	-	131,869
Fundraising event costs	-	-	110,877	-	110,877
Conferences and meetings	56,085	9,423	4,612	-	70,120
Insurance	62,149	4,231	2,548	-	68,928
Supplies	33,310	2,985	5,411	-	41,706
Other	24,275	8,260	5,150	-	37,685
Travel	23,085	435	8,330	-	31,850
Activities	31,351	-	-	-	31,351
Equipment rental and maintenance	24,364	958	4,788	-	30,110
Public relations	837	820	20,861	-	22,518
Telephone	16,229	872	2,921	-	20,022
National program fees	-	-	-	18,841	18,841
Bank fees and licenses	-	4,398	12,429	-	16,827
Utilities and equipment	9,902	522	1,759	-	12,183
Postage	6,261	1,743	1,233	-	9,237
Rent	7,817	725	-	-	8,542
	<u>451,799</u>	<u>154,361</u>	<u>321,687</u>	<u>18,841</u>	<u>946,688</u>
Total other expenses					
Total expenses before depreciation	1,622,143	210,063	689,470	18,841	2,540,517
Depreciation expense	49,580	2,696	9,091	-	61,367
Total expenses	<u>\$ 1,671,723</u>	<u>\$ 212,759</u>	<u>\$ 698,561</u>	<u>\$ 18,841</u>	<u>\$ 2,601,884</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	<u>Program Services</u>	<u>Supporting Services</u>		<u>National Program Fees</u>	<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fund Raising</u>		
Salaries	\$ 840,224	\$ 44,649	\$ 274,775	\$ -	\$ 1,159,648
Payroll taxes	62,245	3,308	20,356	-	85,909
Employee benefits	101,916	5,415	33,328	-	140,659
Total salaries and related expenses	<u>1,004,385</u>	<u>53,372</u>	<u>328,459</u>	<u>-</u>	<u>1,386,216</u>
In-kind activities	18,248	-	121,417	-	139,665
Subrecipient expenditures - state grants	132,841	-	-	-	132,841
Professional fees	3,450	107,102	22,167	-	132,719
Fundraising event costs	-	-	93,415	-	93,415
Insurance	71,446	299	1,079	-	72,824
Supplies	25,731	4,774	2,343	-	32,848
Other	20,796	3,448	5,332	-	29,576
Equipment rental and maintenance	17,455	952	3,696	-	22,103
Conferences and meetings	9,781	8,683	3,369	-	21,833
Bank fees and licenses	2,375	3,932	15,156	-	21,463
Travel	14,607	3,002	3,633	-	21,242
Activities	15,576	-	-	-	15,576
Telephone	11,638	667	2,410	-	14,715
Utilities and equipment	10,396	588	2,125	-	13,109
Postage	6,083	1,762	2,223	-	10,068
Public relations	8,366	-	-	-	8,366
Rent	8,100	-	-	-	8,100
National program fees	-	-	-	7,000	7,000
Total other expenses	<u>376,889</u>	<u>135,209</u>	<u>278,365</u>	<u>7,000</u>	<u>797,463</u>
Total expenses before depreciation	<u>1,381,274</u>	<u>188,581</u>	<u>606,824</u>	<u>7,000</u>	<u>2,183,679</u>
Depreciation expense	<u>47,426</u>	<u>2,735</u>	<u>9,882</u>	<u>-</u>	<u>60,043</u>
Total expenses	<u>\$ 1,428,700</u>	<u>\$ 191,316</u>	<u>\$ 616,706</u>	<u>\$ 7,000</u>	<u>\$ 2,243,722</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 82,009	\$ 224,768
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	61,367	60,043
Contribution of investments	(43,521)	(44,454)
Changes in operating assets and liabilities:		
Grants receivable	(19,314)	(33,580)
Accounts receivable	18,984	(34,583)
Prepaid expenses and other	(7,017)	5,619
Accounts payable and accrued expenses	(29,268)	(16,298)
Net cash provided by operating activities	<u>63,240</u>	<u>161,515</u>
Cash flows from investing activities:		
Proceeds from sale of investments	43,606	49,393
Purchase of equipment	(14,559)	(6,601)
Net cash provided by investing activities	<u>29,047</u>	<u>42,792</u>
Cash flows from financing activities:		
Payments on note payable	(26,603)	(22,000)
Net cash used in financing activities	<u>(26,603)</u>	<u>(22,000)</u>
Net increase in cash and cash equivalents	65,684	182,307
Cash and cash equivalents at beginning of year	<u>486,728</u>	<u>304,421</u>
Cash and cash equivalents at end of year	<u>\$ 552,412</u>	<u>\$ 486,728</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 3,128</u>
Contribution of investments	<u>\$ 43,521</u>	<u>\$ 44,454</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Big Brothers/Big Sisters of Middle Tennessee (the “Organization”) is a not-for-profit corporation organized in Nashville, Tennessee in 1969. The Organization provides programs and services to match adult volunteer mentors with children from primarily single-parent homes throughout Middle Tennessee. The Organization receives support from state and federal agencies, individual donors and foundations, and through fund-raising events.

Financial Statement Presentation

The Organization presents its financial statements in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Under these standards, the Organization is required to report information regarding its financial position and activities 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 stipulations.

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, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2015 and 2014.

Contributions

The Organization accounts for contributions in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Under these standards, contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. 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.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

Investments

Investments are valued at their fair market values in the statements of financial position. Unrealized gains and losses as well as appreciation or depreciation in market value are reflected in the accompanying statements of activities.

Grants Receivable

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.

Buildings and Equipment

The Organization generally capitalizes an asset if its life is estimated to be one year or greater and the cost is \$1,000 or greater. Buildings and equipment are recorded at cost or at fair value as of the date contributed. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 40 years.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. Amounts for donated services are not reflected in the financial statements as no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in program services.

Allocated 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.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made.

The Organization follows guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization does not believe there are any uncertain tax positions at December 31, 2015 and 2014. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended December 31, 2012 through December 31, 2015.

Subsequent Events

The Organization evaluated subsequent events through July 13, 2016, when these financial statements were available to be issued. Except for the item discussed in Note 6, the Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 2 – BUILDINGS AND EQUIPMENT

Buildings and equipment consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 1,612,356	\$ 1,609,856
Equipment	<u>236,242</u>	<u>224,183</u>
	1,848,598	1,834,039
Less accumulated depreciation	<u>(462,579)</u>	<u>(401,212)</u>
	<u>\$ 1,386,019</u>	<u>\$ 1,432,827</u>

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of December 31:

	<u>2015</u>	<u>2014</u>
High School Bigs program (time restriction)	\$ -	\$ 33,458
Training center renovations and equipment	40,000	-
Beyond School Walls program (time restriction)	15,000	18,000
Other programs (time and purpose restrictions)	<u>10,000</u>	<u>5,000</u>
	<u>\$ 65,000</u>	<u>\$ 56,458</u>

NOTE 4 – CONCENTRATIONS

The Organization receives a substantial amount of its revenue from federal and state grants. A significant reduction in the level of this support, if it were to occur, could have an adverse impact on the Organization's programs and services. Amounts included in revenue from federal and state grants totaled \$575,065 and \$603,728, in 2015 and 2014, respectively.

The Organization receives a substantial amount of its revenue from one contribution appeal. A significant reduction in the level of response, if it were to occur, could have an adverse impact on the Organization's programs and services. Amounts included in revenue from this appeal totaled \$473,156 and \$374,972, in 2015 and 2014, respectively.

Cash and cash equivalents are primarily held in bank accounts that, at times, exceed federally-insured amounts.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 5 – LEASES

The Organization has entered into non-cancelable operating lease agreements for certain office equipment. Rent expense totaled \$44,928 and \$40,871 in 2015 and 2014, respectively.

The future minimum lease payments under operating lease arrangements are as follows for the years ending December 31:

2016	\$ 9,586
2017	9,586
2018	5,836
2019	1,217
2020	<u>-</u>
	<u>\$ 26,225</u>

NOTE 6 – NOTE PAYABLE

The Organization had a note payable agreement with a bank that provides for borrowing up to \$100,000. In February 2014, the agreement was refinanced with a reduced borrowing limit of \$70,000, and was extended through February 2015, at which time the balance of the note payable was due. Upon maturity, the agreement was refinanced and is currently payable in monthly principal and interest installments of \$2,458. Interest is charged at a rate of 4%. All unpaid principal and interest are due August 2016. The agreement is collateralized by all business assets. Borrowings under this arrangement were \$22,153 and \$48,756 at December 31, 2015 and 2014, respectively.

Subsequent to December 31, 2015, the outstanding balance was repaid in full.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Organization is periodically subject to legal actions which arise in the course of business. Management is unable to predict the ultimate outcome of current litigation outstanding but does not believe an ultimate liability with respect to current litigation will be material to the operating results or financial position of the Organization. As a result, no accrual for any liability is included in the financial statements.