

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

**FINANCIAL STATEMENTS**

**December 31, 2014 and 2013**

**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 – 15



## 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, 2014 and 2013, 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, 2014 and 2013, 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.

*Frazier, Dean & Howard, PLLC*

June 29, 2015

**BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 486,728	\$ 304,421
Investments	85	5,024
Accounts receivable	34,583	-
Grants receivable	111,709	78,129
Prepaid expenses and other	5,350	10,969
	<hr/>	<hr/>
Total current assets	638,455	398,543
Buildings and equipment, net	<hr/> 1,432,827	<hr/> 1,486,269
	<hr/>	<hr/>
Total assets	<u><u>\$ 2,071,282</u></u>	<u><u>\$ 1,884,812</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 91,422	\$ 107,720
Note payable, current portion	23,494	-
	<hr/>	<hr/>
Total current liabilities	114,916	107,720
Note payable, net of current portion	<hr/> 25,262	<hr/> 70,756
	<hr/>	<hr/>
Total liabilities	140,178	178,476
	<hr/>	<hr/>
Net assets:		
Unrestricted	1,874,646	1,580,090
Temporarily restricted	56,458	126,246
	<hr/>	<hr/>
Total net assets	1,931,104	1,706,336
	<hr/>	<hr/>
Total liabilities and net assets	<u><u>\$ 2,071,282</u></u>	<u><u>\$ 1,884,812</u></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 loss, 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 ACTIVITIES**  
**Year Ended December 31, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenue, gains and other support:			
Grants - other	\$ 393,621	\$ 177,500	\$ 571,121
Fundraising events	499,351	-	499,351
Contributions	433,341	-	433,341
Federal grants	320,286	-	320,286
State grants	250,000	-	250,000
United Way	162,540	-	162,540
In-kind	76,192	-	76,192
Investment income, net	490	-	490
Net assets released from restrictions	184,845	(184,845)	-
	<u>2,320,666</u>	<u>(7,345)</u>	<u>2,313,321</u>
Total revenue, gains and other support			
Expenses:			
Program services	1,490,370	-	1,490,370
Supporting services:			
Management and general	178,723	-	178,723
Fundraising	500,773	-	500,773
	<u>679,496</u>	<u>-</u>	<u>679,496</u>
Total supporting services			
National program fees	13,039	-	13,039
	<u>2,182,905</u>	<u>-</u>	<u>2,182,905</u>
Total expenses			
Change in net assets	137,761	(7,345)	130,416
Net assets at beginning of year	1,442,329	133,591	1,575,920
Net assets at end of year	<u>\$ 1,580,090</u>	<u>\$ 126,246</u>	<u>\$ 1,706,336</u>

See accompanying notes.

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

	<b>Program Services</b>	<b>Supporting Services Management and General</b>	<b>Fund Raising</b>	<b>National Program Fees</b>	<b>Total Expenses</b>
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	1,004,385	53,372	328,459	-	1,386,216
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	376,889	135,209	278,365	7,000	797,463
Total expenses before depreciation	1,381,274	188,581	606,824	7,000	2,183,679
Depreciation expense	47,426	2,735	9,882	-	60,043
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**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2013**

	<b>Program Services</b>	<b>Supporting Services Management and General</b>	<b>Fund Raising</b>	<b>National Program Fees</b>	<b>Total Expenses</b>
Salaries	\$ 878,939	\$ 41,223	\$ 265,391	\$ -	\$ 1,185,553
Payroll taxes	64,919	2,968	19,108	-	86,995
Employee benefits	123,431	5,854	37,686	-	166,971
Total salaries and related expenses	1,067,289	50,045	322,185	-	1,439,519
Subrecipient expenditures -					
state grants	135,689	-	-	-	135,689
Professional fees	1,317	88,958	10,218	-	100,493
Insurance	76,745	-	-	-	76,745
In-kind activities	12,725	-	63,467	-	76,192
Fundraising event costs	-	-	69,928	-	69,928
Other	42,417	1,260	9,332	-	53,009
Utilities and equipment	22,113	1,493	4,477	-	28,083
Bank fees and licenses	-	19,687	-	-	19,687
Travel	16,440	-	1,608	-	18,048
Equipment rental and maintenance	12,284	1,035	3,106	-	16,425
Telephone	12,502	795	2,384	-	15,681
Activities	15,386	-	-	-	15,386
National program fees	-	-	-	13,039	13,039
Supplies	8,871	524	1,572	-	10,967
Bad debt expense	-	10,413	-	-	10,413
Conferences and meetings	9,549	348	-	-	9,897
Postage	5,994	499	1,498	-	7,991
Rent	6,900	-	-	-	6,900
Public relations	156	-	-	-	156
Total other expenses	379,088	125,012	167,590	13,039	684,729
Total expenses before depreciation	1,446,377	175,057	489,775	13,039	2,124,248
Depreciation expense	43,993	3,666	10,998	-	58,657
Total expenses	\$ 1,490,370	\$ 178,723	\$ 500,773	\$ 13,039	\$ 2,182,905

See accompanying notes.

**BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 224,768	\$ 130,416
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	60,043	58,657
Contribution of investments	(44,454)	(34,381)
Changes in operating assets and liabilities:		
Contributions receivable, net	-	41,084
Grants receivable	(33,580)	(19,808)
Accounts receivable	(34,583)	-
Prepaid expenses and other	5,619	(750)
Accounts payable and accrued expenses	(16,298)	60,350
Deferred revenue	-	(44,359)
	<u>161,515</u>	<u>191,209</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	49,393	32,225
Purchase of equipment	(6,601)	-
	<u>42,792</u>	<u>32,225</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Proceeds from note payable	-	1,000
Payments on note payable	(22,000)	(24,399)
	<u>(22,000)</u>	<u>(23,399)</u>
Net cash used in financing activities		
Net increase in cash and cash equivalents	182,307	200,035
Cash and cash equivalents at beginning of year	<u>304,421</u>	<u>104,386</u>
Cash and cash equivalents at end of year	<u><u>\$ 486,728</u></u>	<u><u>\$ 304,421</u></u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 3,128</u>	<u>\$ 4,217</u>
Contribution of investments	<u><u>\$ 44,454</u></u>	<u><u>\$ 34,381</u></u>

See accompanying notes.

**BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**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, 2014 and 2013.

**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, 2014 and 2013**

**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, 2014 and 2013**

**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, 2014 and 2013. 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, 2011 through December 31, 2014.

**Subsequent Events**

The Organization evaluated subsequent events through June 29, 2015, 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, 2014 and 2013**

**NOTE 2 – BUILDINGS AND EQUIPMENT**

Buildings and equipment consist of the following at December 31:

	<u><b>2014</b></u>	<u><b>2013</b></u>
Building and improvements	\$ 1,609,856	\$ 1,609,856
Equipment	<u>224,183</u>	<u>217,582</u>
	1,834,039	1,827,438
Less accumulated depreciation	<u>(401,212)</u>	<u>(341,169)</u>
	<u><u>\$ 1,432,827</u></u>	<u><u>\$ 1,486,269</u></u>

**NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS**

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

	<u><b>2014</b></u>	<u><b>2013</b></u>
High School Bigs program (time restriction)	\$ 33,458	\$ 57,292
Beyond School Walls program (time restriction)	18,000	20,000
Technology upgrade	-	15,000
Other programs (time and purpose restrictions)	<u>5,000</u>	<u>33,954</u>
	<u><u>\$ 56,458</u></u>	<u><u>\$ 126,246</u></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 \$603,728 and \$570,286, in 2014 and 2013, respectively.

The Organization receives a substantial amount of its revenue from two contribution appeals. 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 these two appeals totaled \$646,316 and \$508,808, in 2014 and 2013, 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, 2014 and 2013**

**NOTE 5 – LEASES**

The Organization has entered into non-cancelable operating lease agreements for certain office equipment. Rent expense totaled \$40,871 and \$33,946 in 2014 and 2013, respectively.

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

2015	\$ 9,586
2016	9,586
2017	9,586
2018	5,836
2019	1,217
Thereafter	<u>-</u>
	<u>\$ 35,811</u>

**NOTE 6 – NOTE PAYABLE**

The Organization has 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. At December 31, 2014, the interest rate, which is subject to change based upon changes in the prime rate, was at the minimum rate of 5%. Borrowings under this arrangement were \$48,756 and \$70,756 at December 31, 2014 and 2013, respectively. The agreement is collateralized by all business assets.

Subsequent to December 31, 2014, 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.

Principal payments required on the note payable, subsequent to the February 2015 refinancing, are as follows for the years ending December 31:

2015	\$ 23,494
2016	<u>25,262</u>
	<u>\$ 48,756</u>

**BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**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.