

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

FINANCIAL STATEMENTS

December 31, 2013 and 2012

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE

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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, 2013 and 2012, 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, 2013 and 2012, 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 Den & Hand, PLLC

June 24, 2014

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 304,421	\$ 104,386
Investments	5,024	2,868
Contributions receivable, net	-	41,084
Grants receivable	78,129	58,321
Prepaid expenses and other	10,969	10,219
	<hr/>	<hr/>
Total current assets	398,543	216,878
Buildings and equipment, net	1,486,269	1,544,926
	<hr/>	<hr/>
Total assets	<u><u>\$ 1,884,812</u></u>	<u><u>\$ 1,761,804</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 107,720	\$ 47,370
Deferred revenue	-	44,359
	<hr/>	<hr/>
Total current liabilities	107,720	91,729
Line of credit	70,756	94,155
	<hr/>	<hr/>
Total liabilities	178,476	185,884
	<hr/>	<hr/>
Net assets:		
Unrestricted	1,580,090	1,442,329
Temporarily restricted	126,246	133,591
	<hr/>	<hr/>
Total net assets	1,706,336	1,575,920
	<hr/>	<hr/>
Total liabilities and net assets	<u><u>\$ 1,884,812</u></u>	<u><u>\$ 1,761,804</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
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 ACTIVITIES
Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue, gains and other support:			
Federal grants	\$ 664,924	\$ -	\$ 664,924
Contributions	473,465	10,000	483,465
Grants - other	337,215	136,397	473,612
Fundraising events	436,360	-	436,360
State grants	250,000	-	250,000
United Way	150,050	-	150,050
In-kind	41,050	-	41,050
Investment loss, net	(868)	-	(868)
Net assets released from restrictions	<u>221,846</u>	<u>(221,846)</u>	<u>-</u>
 Total revenue, gains and other support	 <u>2,574,042</u>	 <u>(75,449)</u>	 <u>2,498,593</u>
Expenses:			
Program services	<u>1,635,631</u>	<u>-</u>	<u>1,635,631</u>
Supporting services:			
Management and general	306,003	-	306,003
Fundraising	<u>469,373</u>	<u>-</u>	<u>469,373</u>
 Total supporting services	 <u>775,376</u>	 <u>-</u>	 <u>775,376</u>
 National program fees	 <u>15,432</u>	 <u>-</u>	 <u>15,432</u>
 Total expenses	 <u>2,426,439</u>	 <u>-</u>	 <u>2,426,439</u>
 Change in net assets	 147,603	 (75,449)	 72,154
 Net assets at beginning of year	 <u>1,294,726</u>	 <u>209,040</u>	 <u>1,503,766</u>
 Net assets at end of year	 <u><u>\$ 1,442,329</u></u>	 <u><u>\$ 133,591</u></u>	 <u><u>\$ 1,575,920</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program Services	Supporting Services Management and General	Fund Raising	National Program Fees	Total Expenses
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	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
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012

	Program Services	Supporting Services Management and General	Fund Raising	National Program Fees	Total Expenses
Salaries	\$ 1,001,330	\$ 41,542	\$ 262,933	\$ -	\$ 1,305,805
Payroll taxes	69,853	3,992	25,269	-	99,114
Employee benefits	162,328	5,640	35,699	-	203,667
Total salaries and related expenses	1,233,511	51,174	323,901	-	1,608,586
Professional fees	2,594	102,018	10,156	-	114,768
Subrecipient expenditures - state grants	112,426	-	-	-	112,426
Other	63,535	-	19,738	-	83,273
Fundraising event costs	-	-	81,994	-	81,994
Insurance	75,701	-	-	-	75,701
Bad debt expense	-	60,974	-	-	60,974
In-kind activities	7,466	-	33,584	-	41,050
Bank fees and licenses	-	32,113	-	-	32,113
Travel	24,747	-	-	-	24,747
Telephone	21,909	-	-	-	21,909
Utilities and equipment	20,296	-	-	-	20,296
Conferences and meetings	19,214	-	-	-	19,214
Equipment rental and maintenance	18,933	-	-	-	18,933
National program fees	-	-	-	15,432	15,432
Activities	11,745	-	-	-	11,745
Supplies	8,025	-	-	-	8,025
Rent	7,200	-	-	-	7,200
Postage	7,037	-	-	-	7,037
Public relations	1,292	-	-	-	1,292
Total other expenses	402,120	195,105	145,472	15,432	758,129
Total expenses before depreciation	1,635,631	246,279	469,373	15,432	2,366,715
Depreciation expense	-	59,724	-	-	59,724
Total expenses	<u>\$ 1,635,631</u>	<u>\$ 306,003</u>	<u>\$ 469,373</u>	<u>\$ 15,432</u>	<u>\$ 2,426,439</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 130,416	\$ 72,154
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,657	59,724
Contribution of investments	(34,381)	(2,868)
Changes in operating assets and liabilities:		
Contributions receivable, net	41,084	76,289
Grants receivable	(19,808)	(20,851)
Due from affiliate	-	22,313
Prepaid expenses and other	(750)	3,938
Accounts payable and accrued expenses	60,350	(95,841)
Deferred revenue	(44,359)	(42,501)
	<u>191,209</u>	<u>72,357</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	32,225	-
Purchase of equipment	-	(4,614)
	<u>32,225</u>	<u>(4,614)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from line of credit	1,000	-
Payments on line of credit	(24,399)	(5,500)
	<u>(23,399)</u>	<u>(5,500)</u>
Net cash used in financing activities		
Net increase in cash and cash equivalents	200,035	62,243
Cash and cash equivalents at beginning of year	<u>104,386</u>	<u>42,143</u>
Cash and cash equivalents at end of year	<u><u>\$ 304,421</u></u>	<u><u>\$ 104,386</u></u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 4,217</u>	<u>\$ 4,555</u>
Contribution of investments	<u><u>\$ 34,381</u></u>	<u><u>\$ 2,868</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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, 2013 and 2012.

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, 2013 and 2012

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 six 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 financial statements.

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. Fixed assets 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.

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.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

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

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, 2013 and 2012. 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, 2010 through December 31, 2013.

Subsequent Events

The Organization evaluated subsequent events through June 24, 2014, when these financial statements were available to be issued. Except for the item discussed in Note 7, 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.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Fundraising breakfast pledges	\$ -	\$ 106,429
Less allowance for doubtful accounts	<u>-</u>	<u>(65,345)</u>
	<u><u>\$ -</u></u>	<u><u>\$ 41,084</u></u>
Receivable in less than one year	\$ -	\$ 41,084
Receivable in one to five years	<u>-</u>	<u>-</u>
	<u><u>\$ -</u></u>	<u><u>\$ 41,084</u></u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 2 – CONTRIBUTIONS RECEIVABLE (Continued)

During 2012, the Organization performed detailed evaluations of its outstanding contributions receivable. As a result, a charge to bad debt expense of \$60,974 was recorded in 2012. During 2013, all remaining amounts outstanding were written off as amounts were deemed uncollectible.

NOTE 3 – BUILDINGS AND EQUIPMENT

Buildings and equipment consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Building and improvements	\$ 1,609,856	\$ 1,609,856
Equipment	<u>217,582</u>	<u>217,582</u>
	1,827,438	1,827,438
Less accumulated depreciation	<u>(341,169)</u>	<u>(282,512)</u>
	<u>\$ 1,486,269</u>	<u>\$ 1,544,926</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
High School Bigs program (time restriction)	\$ 57,292	\$ 45,833
Contributions receivable (time restriction)	-	41,084
Beyond School Walls program (time restriction)	20,000	19,098
Technology upgrade	15,000	-
Parent Engagement program	-	16,049
Other programs (time and purpose restrictions)	<u>33,954</u>	<u>11,527</u>
	<u>\$ 126,246</u>	<u>\$ 133,591</u>

NOTE 5 – 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 \$570,286 and \$914,924, in 2013 and 2012, respectively.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 5 – CONCENTRATIONS (Continued)

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 \$299,726 and \$261,549, in 2013 and 2012, respectively.

NOTE 6 – LEASES

The Organization has entered into non-cancelable operating lease agreements for certain office equipment. Rent expense totaled \$33,946 and \$25,202 in 2013 and 2012, respectively.

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

2014	\$ 8,040
2015	7,500
2016	7,500
2017	7,500
2018	<u>3,750</u>
	<u>\$ 34,290</u>

NOTE 7 – LINE OF CREDIT

The Organization has a line of credit agreement with a bank, under which the Organization may borrow up to \$100,000. In February 2013, the agreement was extended through February 2014, at which time the balance of the line of credit is due. At December 31, 2013, 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 \$70,756 and \$94,155 at December 31, 2013 and 2012, respectively. The agreement is collateralized by all business assets.

In February 2014, the agreement was refinanced with a reduced limit of \$70,000; however, all other terms remained substantially the same. The outstanding principal is now due February 2015. Accordingly, the balance at December 31, 2013 is presented as a noncurrent liability.

NOTE 8 – EMPLOYEE BENEFIT PLAN

The Organization has a tax sheltered investment plan covering full-time employees. Following the completion of one year of employment, employees become eligible for a match of up to 3% of the employee's salary. Effective April 2012, the employer match was discontinued.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 9 – 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.