

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

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

December 31, 2006 and 2005

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 statements of financial position of Big Brothers/Big Sisters of Middle Tennessee (a nonprofit organization) as of December 31, 2006 and 2005, 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 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 Big Brothers/Big Sisters of Middle Tennessee as of December 31, 2006 and 2005, 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 & Howard, PLLC

June 25, 2007

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

	2006			2005
	Current Operations	Land, Buildings and Equipment	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 107,576	\$ 777,241	\$ 884,817	\$ 631,003
Investments	32,160	81,371	113,531	107,704
Contributions receivable	47,244	22,250	69,494	165,415
Grants receivable	261,462	-	261,462	149,900
Prepaid expenses and other	5,814	-	5,814	6,233
Total current assets	454,256	880,862	1,335,118	1,060,255
Contributions receivable, net	19,120	-	19,120	2,050
Land, buildings and equipment, net	-	333,386	333,386	302,869
Total assets	<u>\$ 473,376</u>	<u>\$1,214,248</u>	<u>\$1,687,624</u>	<u>\$1,365,174</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 29,287	\$ -	\$ 29,287	\$ 31,424
Grant payable	59,900	-	59,900	90,000
Total current liabilities	89,187	-	89,187	121,424
Net assets:				
Unrestricted	292,825	574,908	867,733	809,233
Temporarily restricted	91,364	639,340	730,704	434,517
Total net assets	384,189	1,214,248	1,598,437	1,243,750
Total liabilities and net assets	<u>\$ 473,376</u>	<u>\$1,214,248</u>	<u>\$1,687,624</u>	<u>\$1,365,174</u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions	\$ 216,387	\$ 364,257	\$ 580,644
Fundraising events	184,280	-	184,280
In-kind	128,477	-	128,477
Federal grants and fees	1,481,561	-	1,481,561
United Way	57,590	-	57,590
Grants - other	357,502	-	357,502
Investment income	9,555	-	9,555
Gain on sale of fixed assets	11,100	-	11,100
Net assets released from restrictions	<u>68,070</u>	<u>(68,070)</u>	<u>-</u>
Total revenue, gains, and other support	<u>2,514,522</u>	<u>296,187</u>	<u>2,810,709</u>
Expenses:			
Program services:			
Big Brother/Big Sister	697,966	-	697,966
Mentoring	121,077	-	121,077
AMACHI	<u>1,275,421</u>	<u>-</u>	<u>1,275,421</u>
Total program services	<u>2,094,464</u>	<u>-</u>	<u>2,094,464</u>
Supporting services:			
Management and general	169,737	-	169,737
Fundraising	<u>177,327</u>	<u>-</u>	<u>177,327</u>
Total supporting services	<u>347,064</u>	<u>-</u>	<u>347,064</u>
National program fees	<u>14,494</u>	<u>-</u>	<u>14,494</u>
Total expenses	<u>2,456,022</u>	<u>-</u>	<u>2,456,022</u>
Change in net assets	58,500	296,187	354,687
Net assets at beginning of year	<u>809,233</u>	<u>434,517</u>	<u>1,243,750</u>
Net assets at end of year	<u><u>\$ 867,733</u></u>	<u><u>\$ 730,704</u></u>	<u><u>\$ 1,598,437</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions	\$ 254,982	\$ 223,256	\$ 478,238
Fundraising events	143,543	-	143,543
In-kind	107,752	-	107,752
Federal grants and fees	1,304,544	-	1,304,544
United Way	41,272	-	41,272
Wilson County grants and contributions	10,318	-	10,318
Grants - other	6,000	-	6,000
Investment income	6,135	-	6,135
Gain on sale of fixed assets	151,753	-	151,753
Net assets released from restrictions	<u>344,910</u>	<u>(344,910)</u>	<u>-</u>
Total revenue, gains, and other support	<u>2,371,209</u>	<u>(121,654)</u>	<u>2,249,555</u>
Expenses:			
Program services:			
Big Brother/Big Sister	342,767	-	342,767
Mentoring	117,507	-	117,507
Wilson County	18,749	-	18,749
AMACHI	<u>1,129,853</u>	<u>-</u>	<u>1,129,853</u>
Total program services	<u>1,608,876</u>	<u>-</u>	<u>1,608,876</u>
Supporting services:			
Management and general	137,073	-	137,073
Fundraising	<u>130,913</u>	<u>-</u>	<u>130,913</u>
Total supporting services	<u>267,986</u>	<u>-</u>	<u>267,986</u>
National program fees	<u>11,287</u>	<u>-</u>	<u>11,287</u>
Total expenses	<u>1,888,149</u>	<u>-</u>	<u>1,888,149</u>
Change in net assets	483,060	(121,654)	361,406
Net assets at beginning of year	<u>326,173</u>	<u>556,171</u>	<u>882,344</u>
Net assets at end of year	<u><u>\$ 809,233</u></u>	<u><u>\$ 434,517</u></u>	<u><u>\$1,243,750</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2006

	Program Services			Supporting Services			2006 Total Program and Supporting Services Program Fees
Big Brother/ Big Sister	Mentoring	Amachi	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 465,285	\$ 375,543	\$ 924,138	\$ 121,761	\$ -	\$ 121,761	\$ 1,045,899
Payroll taxes	38,636	28,456	74,617	5,467	-	5,467	80,084
Employee benefits	43,241	49,826	96,887	1,814	-	1,814	98,701
Total salaries and related expenses	547,162	453,825	1,095,642	129,042	-	129,042	1,224,684
Subrecipient expenditures	-	644,870	644,870	-	-	-	644,870
In-kind activities	-	-	-	-	93,557	93,557	93,557
Rent	34,920	35,633	70,553	-	-	-	70,553
Professional fees	-	-	-	28,903	27,557	56,460	56,460
Other	14,541	26,327	55,676	3,466	34,426	37,892	93,568
Supplies	18,459	22,732	44,041	-	-	-	44,041
Insurance	23,125	21,921	45,046	-	-	-	45,046
Travel	22,479	28,276	59,519	-	-	-	59,519
Telephone	8,160	14,529	22,689	-	-	-	22,689
Activities	11,211	11,421	22,632	-	-	-	22,632
National program fees	-	-	-	-	-	14,494	14,494
Printing	2,585	3,303	5,888	-	6,743	6,743	12,631
Equipment rental and maintenance	5,180	4,842	10,022	-	-	-	10,022
Postage	5,470	5,050	10,520	-	-	-	10,520
Bowling fees and prizes	-	-	-	-	15,044	15,044	15,044
Conferences and meetings	4,674	2,692	7,366	-	-	-	7,366
Total other expenses	150,804	821,596	998,822	32,369	177,327	209,696	1,223,012
Total expenses before depreciation	697,966	1,275,421	2,094,464	161,411	177,327	338,738	2,447,696
Depreciation expense	-	-	-	8,326	-	8,326	8,326
Total expenses	\$ 697,966	\$ 1,275,421	\$ 2,094,464	\$ 169,737	\$ 177,327	\$ 347,064	\$ 2,456,022

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2005

	Program Services				Supporting Services			2005 Total Program and Supporting Services		
	Big Brother/ Big Sister	Mentoring	Wilson County	Amachi	Total Program Services	Management and General	Fund Raising		Total Supporting Services	National Program Fees
Salaries	\$ 201,142	\$ 83,940	\$ 10,069	\$ 258,624	\$ 553,775	\$ 86,773	\$ -	\$ 86,773	\$ -	\$ 640,548
Payroll taxes	17,212	12,932	763	19,730	50,637	4,460	-	4,460	-	55,097
Employee benefits	22,014	-	222	25,079	47,315	1,500	-	1,500	-	48,815
Total salaries and related expenses	240,368	96,872	11,054	303,433	651,727	92,733	-	92,733	-	744,460
Contractual services	-	-	-	700,839	700,839	-	-	-	-	700,839
In-kind activities	-	-	-	-	-	-	72,832	72,832	-	72,832
Rent	34,920	-	2,250	34,930	72,100	-	-	-	-	72,100
Professional fees	7,500	-	380	-	7,880	26,418	25,567	51,985	-	59,865
Other	3,769	14,724	69	23,662	42,224	2,091	15,265	17,356	-	59,580
Supplies	12,071	1,411	1,422	21,014	35,918	-	-	-	-	35,918
Insurance	13,303	-	1,088	4,759	19,150	6,900	-	6,900	-	26,050
Travel	9,144	4,353	-	10,625	24,122	-	-	-	-	24,122
Telephone	5,875	-	696	11,660	18,231	-	-	-	-	18,231
Activities	2,678	-	-	11,221	13,899	-	-	-	-	13,899
National program fees	-	-	-	-	-	-	-	-	11,287	11,287
Printing	676	147	-	1,342	2,165	-	9,013	9,013	-	11,178
Equipment rental and maintenance	3,834	-	1,415	4,773	10,022	-	-	-	-	10,022
Postage	7,260	-	-	524	7,784	-	59	59	-	7,843
Bowling fees and prizes	-	-	-	-	-	-	7,592	7,592	-	7,592
Conferences and meetings	1,369	-	-	1,071	2,440	3,454	-	3,454	-	5,894
Utilities	-	-	375	-	375	384	-	384	-	759
Activities-Wilson County	-	-	-	-	-	-	585	585	-	585
Janitorial service	-	-	-	-	-	260	-	260	-	260
Interest expense	-	-	-	-	-	174	-	174	-	174
Total other expenses	102,399	20,635	7,695	826,420	957,149	39,681	130,913	170,594	11,287	1,139,030
Total expenses before depreciation	342,767	117,507	18,749	1,129,853	1,608,876	132,414	130,913	263,327	11,287	1,883,490
Depreciation expense	-	-	-	-	-	4,659	-	4,659	-	4,659
Total expenses	\$ 342,767	\$ 117,507	\$ 18,749	\$ 1,129,853	\$ 1,608,876	\$ 137,073	\$ 130,913	\$ 267,986	\$ 11,287	\$ 1,888,149

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 354,687	\$ 361,406
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,326	4,659
Unrealized gains on investments	(5,449)	(1,580)
Gain on sale of assets	(11,100)	(151,753)
Changes in operating assets and liabilities:		
Accounts receivable	-	16,806
Contributions receivable, net	78,851	78,255
Grants receivable	(111,562)	(139,544)
Prepaid expenses and other	419	5,193
Accounts payable and accrued expenses	(2,137)	21,067
Grant Payable	<u>(30,100)</u>	<u>90,000</u>
Net cash provided by operating activities	<u>281,935</u>	<u>284,509</u>
Cash flows from investing activities:		
Purchases of investments, net	(378)	(1,450)
Purchase of equipment	(38,843)	(301,559)
Proceeds from sale of fixed assets	<u>11,100</u>	<u>368,057</u>
Net cash (used in) provided by investing activities	<u>(28,121)</u>	<u>65,048</u>
Cash flows from financing activities:		
Payments on note payable	<u>-</u>	<u>(38,447)</u>
Net cash used in financing activities	<u>-</u>	<u>(38,447)</u>
Net increase in cash and cash equivalents	253,814	311,110
Cash and cash equivalents at beginning of year	<u>631,003</u>	<u>319,893</u>
Cash and cash equivalents at end of year	<u><u>\$ 884,817</u></u>	<u><u>\$ 631,003</u></u>
Supplemental disclosure:		
Cash paid during the year for interest	<u><u>\$ -</u></u>	<u><u>\$ 174</u></u>

See accompanying notes.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2006 and 2005

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 1923. The Organization provides programs and services to match adult volunteer mentors with children from primarily single-parent homes throughout Middle Tennessee.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 statement of activities as net assets released from restrictions. All other donor restrictions 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.

Contributions

The Organization accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, 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.

Investment Securities

The Organization accounts for investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

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.

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2006 and 2005

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

Property and Depreciation

The Organization generally capitalizes an asset if its life is estimated to be one year or greater and the cost is \$500 or greater. Property 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.

Income Taxes

The Organization is exempt from federal and state 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.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Amounts for donated services are not reflected in the 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

	<u>2006</u>	<u>2005</u>
Fundraising breakfast pledges	\$ 61,065	\$ 6,220
Capital campaign receivable	22,250	101,745
Golf tournament proceeds receivable	<u>11,299</u>	<u>59,500</u>
	94,614	167,465
Less allowance for doubtful accounts	<u>(6,000)</u>	<u>-</u>
	<u>\$ 88,614</u>	<u>\$ 167,465</u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2006 and 2005

NOTE 2 – CONTRIBUTIONS RECEIVABLE (Continued)

	<u>2006</u>	<u>2005</u>
Receivable in less than one year	\$ 69,494	\$ 165,415
Receivable in one to five years	<u>19,120</u>	<u>2,050</u>
	<u>\$ 88,614</u>	<u>\$ 167,465</u>

NOTE 3 – INVESTMENTS

Investments are stated at fair value (which approximates cost) and consist of the following as of December 31:

	<u>2006</u>	<u>2005</u>
Certificate of deposit, interest at 3.85%, renewed January 2007, matures July 2007	\$ 81,371	\$ 79,647
Mutual funds and other	<u>32,160</u>	<u>28,057</u>
	<u>\$ 113,531</u>	<u>\$ 107,704</u>

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at December 31:

	<u>2006</u>	<u>2005</u>
Land	\$ 301,559	\$ 301,559
Equipment	63,310	24,467
Vehicles	<u>-</u>	<u>19,853</u>
	364,869	345,879
Less accumulated depreciation	<u>(31,483)</u>	<u>(43,010)</u>
	<u>\$ 333,386</u>	<u>\$ 302,869</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2006</u>	<u>2005</u>
Future building expansion	\$ 617,090	\$ 267,052
Contribution receivable (time restriction)	<u>113,614</u>	<u>167,465</u>
	<u>\$ 730,704</u>	<u>\$ 434,517</u>

BIG BROTHERS/BIG SISTERS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years ended December 31, 2006 and 2005

NOTE 6 – ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates by management.

NOTE 7 – CONCENTRATIONS

The Organization receives a substantial amount of its revenue from a Federal grant. 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 grants totaled \$1,481,561 and \$1,301,544 in 2006 and 2005, respectively.

The Organization had cash deposits in excess of federally insured limits as of December 31, 2006 and 2005. Credit risk is managed by maintaining all deposits in high quality financial institutions.

NOTE 8 – LEASES

The Organization has entered into non-cancelable operating lease agreements for office equipment. Additionally, effective January 2005, the Organization entered into an operating lease agreement for its office facility. Rent expense totaled \$45,655 and \$43,538 in 2006 and 2005, respectively.

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

2007	\$ 39,460
2008	5,568
2009	5,568
2010	5,568
2011	5,568
Thereafter	<u>1,392</u>
	<u>\$ 63,124</u>

NOTE 9 – SUBSEQUENT EVENT

Subsequent to December 31, 2006, the Organization obtained a commitment for a line of credit agreement with a bank, under which the Organization may borrow up to \$200,000. The interest rate will be a variable rate.