

**MARTHA O'BRYAN
CENTER, INC.**

**FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULE &
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2011 and 2010

MARTHA O'BRYAN CENTER, INC.

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MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors of
Martha O'Bryan Center, Inc.:

We have audited the accompanying statements of financial position of Martha O'Bryan Center, Inc. (a nonprofit organization) as of June 30, 2011 and 2010 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Martha O'Bryan Center, Inc. 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 Martha O'Bryan Center, Inc. as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2012, on our consideration of Martha O'Bryan Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the basic 2011 financial statements of Martha O'Bryan Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis and is not a required part of the basic 2011 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 2011 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic 2011 financial statements taken as a whole.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
February 13, 2012

MARTHA O'BRYAN CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,650,872	\$ 1,414,463
Certificate of deposit	-	253,111
Government grants receivable	58,720	165,116
Other receivables	214,640	185,318
Unconditional promises to give, net	997,749	545,408
Prepaid expenses	15,067	10,332
Property and equipment, net	1,945,104	2,028,297
Other assets	-	8,000
TOTAL ASSETS	<u>\$ 4,882,152</u>	<u>\$ 4,610,045</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 101,422	\$ 84,313
Accrued liabilities	281,299	212,497
Capital lease obligation	19,131	24,811
Deferred grant revenue	38,610	-
Total liabilities	<u>440,462</u>	<u>321,621</u>
NET ASSETS:		
Unrestricted	2,428,522	2,711,377
Temporarily restricted	2,013,168	1,577,047
Total net assets	<u>4,441,690</u>	<u>4,288,424</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,882,152</u>	<u>\$ 4,610,045</u>

The accompanying notes are an integral part of the financial statements.

MARTHA O'BRYAN CENTER, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Government grants	\$ 953,038	\$ -	\$ 953,038
Donations and private grants	1,920,998	1,717,573	3,638,571
Program fees and subsidies	316,273	-	316,273
Fund raising events	69,462	-	69,462
In-kind donations	199,761	-	199,761
Lease fees	1,850	-	1,850
Interest and miscellaneous	10,406	-	10,406
Total	<u>3,471,788</u>	<u>1,717,573</u>	<u>5,189,361</u>
NET ASSETS RELEASED FROM RESTRICTIONS:			
Restrictions satisfied by incurrence of costs	867,710	(867,710)	-
Expiration of time restrictions	413,742	(413,742)	-
Total net assets released from restrictions	<u>1,281,452</u>	<u>(1,281,452)</u>	<u>-</u>
Total revenues, gains and other support	<u>4,753,240</u>	<u>436,121</u>	<u>5,189,361</u>
EXPENSES:			
Program services:			
Child development	1,277,733	-	1,277,733
Reading	725,164	-	725,164
Youth services	997,887	-	997,887
Family and community services	265,426	-	265,426
Family education	622,768	-	622,768
Family resource center	91,566	-	91,566
Supporting services:			
Management and general	407,622	-	407,622
Development and fund raising	647,929	-	647,929
Total expenses	<u>5,036,095</u>	<u>-</u>	<u>5,036,095</u>
NET CHANGE IN NET ASSETS	(282,855)	436,121	153,266
NET ASSETS:			
Beginning of year	<u>2,711,377</u>	<u>1,577,047</u>	<u>4,288,424</u>
End of year	<u>\$ 2,428,522</u>	<u>\$ 2,013,168</u>	<u>\$ 4,441,690</u>

The accompanying notes are an integral part of the financial statements.

MARTHA O'BRYAN CENTER, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Government grants	\$ 696,985	\$ -	\$ 696,985
Donations and private grants	1,281,141	1,678,737	2,959,878
Program fees and subsidies	305,232	-	305,232
Fund raising events	54,694	-	54,694
In-kind donations	186,518	-	186,518
Lease fees	7,200	-	7,200
Interest and miscellaneous	50,645	-	50,645
Total	<u>2,582,415</u>	<u>1,678,737</u>	<u>4,261,152</u>
NET ASSETS RELEASED FROM RESTRICTIONS:			
Restrictions satisfied by incurrence of costs	238,009	(238,009)	-
Expiration of time restrictions	882,757	(882,757)	-
Total net assets released from restrictions	<u>1,120,766</u>	<u>(1,120,766)</u>	<u>-</u>
Total revenues, gains and other support	<u>3,703,181</u>	<u>557,971</u>	<u>4,261,152</u>
EXPENSES:			
Program services:			
Child development	945,158	-	945,158
Reading	511,847	-	511,847
Youth services	977,964	-	977,964
Family and community services	230,412	-	230,412
Family education	176,188	-	176,188
Family resource center	104,075	-	104,075
Supporting services:			
Management and general	424,953	-	424,953
Development and fund raising	463,240	-	463,240
Total expenses	<u>3,833,837</u>	<u>-</u>	<u>3,833,837</u>
NET CHANGE IN NET ASSETS	(130,656)	557,971	427,315
NET ASSETS:			
Beginning of year	<u>2,842,033</u>	<u>1,019,076</u>	<u>3,861,109</u>
End of year	<u>\$ 2,711,377</u>	<u>\$ 1,577,047</u>	<u>\$ 4,288,424</u>

The accompanying notes are an integral part of the financial statements.

MARTHA O'BRYAN CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services					Supporting Services			Total Expenses
	Child Development	Reading	Youth Services	Community Services	Family Education	Family Resource	Management and Development	Fund Raising	
Salaries	\$ 797,310	\$ 426,416	\$ 671,944	\$ 147,718	\$ 327,616	\$ 66,347	\$ 213,140	\$ 402,730	\$ 3,053,221
Employee benefits	104,523	26,518	53,388	11,864	34,811	6,583	16,492	38,817	292,996
Payroll taxes	55,604	30,723	49,053	10,429	24,202	4,596	35,982	29,014	239,703
Total personnel costs	957,437	483,657	774,385	170,011	386,629	77,526	265,614	470,561	3,585,920
Professional services	21,476	1,230	14,984	11,401	40,436	1,879	47,498	11,676	150,580
Insurance	8,500	680	8,013	5,086	1,321	1,198	3,367	1,486	29,651
Food and supplies	94,400	33,087	57,350	35,929	113,816	651	32,630	31,030	398,893
Client assistance	-	-	3,646	5,055	33,069	-	1,286	-	43,056
Communications	4,571	465	7,124	2,285	1,013	1,444	2,704	46,783	66,389
Utilities	24,685	1,670	22,388	12,273	4,054	2,552	7,273	772	75,667
Building and grounds maintenance	16,641	1,554	20,255	11,950	6,417	2,374	6,995	3,970	70,156
Equipment maintenance and repair	12,509	4,020	18,901	2,419	3,298	1,221	2,674	6,232	51,274
Vehicles and travel	17,738	4,013	15,372	2,552	2,488	446	6,526	1,748	50,883
Professional development	7,946	1,010	1,611	-	15,063	-	5,868	100	31,598
Subscriptions and memberships	509	-	-	-	373	-	1,180	890	2,952
Interest, fees, licenses, miscellaneous and in-kind gifts	33,114	177,996	30,348	161	-	-	12,886	10,190	264,695
East End Prep start-up costs	47,524	-	-	-	-	-	-	-	47,524
Bad debts	-	-	-	-	-	-	-	47,250	47,250
Total expenses before depreciation	1,247,050	709,382	974,377	259,122	607,977	89,391	396,501	632,688	4,916,488
Depreciation	30,683	15,782	23,510	6,304	14,791	2,175	11,121	15,241	119,607
Total expenses	\$ 1,277,733	\$ 725,164	\$ 997,887	\$ 265,426	\$ 622,768	\$ 91,566	\$ 407,622	\$ 647,929	\$ 5,036,095

The accompanying notes are an integral part of the financial statements.

MARTHA O'BRYAN CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services					Supporting Services			Total
	Child Development	Reading	Youth Services	Community Services	Family Education	Family Resource	Management and General	Development and Fund Raising	
Salaries	\$ 614,803	\$ 298,043	\$ 605,939	\$ 117,392	\$ 118,469	\$ 72,078	\$ 205,017	\$ 263,367	\$ 2,295,108
Employee benefits	65,867	13,531	49,066	12,681	17,565	7,782	19,406	27,841	213,739
Payroll taxes	45,864	23,949	46,276	8,845	9,114	5,377	65,205	19,152	223,782
Total personnel costs	726,534	335,523	701,281	138,918	145,148	85,237	289,628	310,360	2,732,629
Professional services	688	356	10,005	1,173	189	97	22,702	65,374	100,584
Insurance	7,559	627	7,296	3,595	2,106	1,088	3,034	1,465	26,770
Food and supplies	83,991	15,769	131,747	52,842	5,121	3,540	34,870	22,927	350,807
Client assistance	59	56	1,743	4,846	1,796	2,884	530	-	11,914
Communications	3,552	501	8,574	1,688	1,340	513	8,914	18,376	43,458
Utilities	17,164	1,425	18,022	8,161	4,869	2,471	6,904	3,326	62,342
Building and grounds maintenance	19,965	3,334	13,652	8,733	5,016	2,769	13,229	3,920	70,618
Equipment maintenance and repair	2,252	2,971	6,978	681	313	171	14,768	8,771	36,905
Vehicles and travel	2,004	2,302	13,344	1,181	2,404	1,078	2,142	887	25,342
Professional development	4,782	3,298	30,919	52	1,544	444	2,440	-	43,479
Subscriptions and memberships	1,257	220	48	-	-	-	511	-	2,036
Interest, fees, licenses and miscellaneous and in-kind gifts	43,358	128,139	1,252	743	378	260	10,569	6,954	191,653
Bad debts	-	-	-	-	-	-	-	5,200	5,200
Total expenses before depreciation	913,165	494,521	944,861	222,613	170,224	100,552	410,241	447,560	3,703,737
Depreciation	31,993	17,326	33,103	7,799	5,964	3,523	14,712	15,680	130,100
Total expenses	\$ 945,158	\$ 511,847	\$ 977,964	\$ 230,412	\$ 176,188	\$ 104,075	\$ 424,953	\$ 463,240	\$ 3,833,837

The accompanying notes are an integral part of the financial statements.

MARTHA O'BRYAN CENTER, INC.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in net assets	\$ 153,266	\$ 427,315
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Depreciation and amortization	119,606	130,100
Net change in allowance for uncollectible promises	25,000	5,200
Gain on sale of assets	-	-
Net changes in other assets and liabilities:		
Grants receivable	106,396	(90,266)
Other receivables	(29,322)	(115,493)
Unrestricted unconditional promises to give	37,524	(48,832)
Temporarily restricted unconditional promises to give	(514,865)	498,215
Prepaid expenses	(4,735)	2,187
Accounts payable	17,109	43,316
Accrued liabilities	68,802	57,080
Deferred grant revenue	38,610	-
Net cash provided by operating activities	<u>17,391</u>	<u>908,822</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(36,413)	(35,506)
Redemption of preferred stock	8,000	-
Redemption (purchase) of certificate of deposit	253,111	(253,111)
Net cash provided by (used in) investing activities	<u>224,698</u>	<u>(288,617)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of capital lease obligations	(5,680)	(5,011)
Net cash used in financing activities	<u>(5,680)</u>	<u>(5,011)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	236,409	615,194
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,414,463</u>	<u>799,269</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 1,650,872</u></u>	<u><u>\$ 1,414,463</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash payments for interest	\$ 889	\$ 1,011
Equipment purchased financed by capital lease	\$ -	\$ 29,822

The accompanying notes are an integral part of the financial statements.

MARTHA O'BRYAN CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 – THE ENTITY

Martha O'Bryan Center, Inc., (the "Center"), founded in 1894, is qualified as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The primary programs of the Center include child development, reading, youth services, community services, family education, and a family resource center. The Center operates primarily in its East Nashville community. See Note 3 for a description of the Center's reliance on certain funding.

During 2011, the Center received funding for a charter school, East End Preparatory ("EEP") School, in East Nashville. EEP will provide kindergarten through grade five students with the academic foundation necessary to excel in middle school and beyond, while fully integrating familial and community support to help them achieve their goals. EEP started operations on August 22, 2011.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2011 and 2010 in these financial statements refer to the years ended June 30, 2011 and 2010, respectively, unless otherwise noted.

Basis of Accounting

The financial records of the Center are maintained on the accrual basis of accounting.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. 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. All other donor-restricted contributions 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.

The Center uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

See Notes 4 for further details.

Grant Revenues

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.

MARTHA O'BRYAN CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in various bank accounts, and all highly liquid investments with an original maturity of three months or less. The Center may, at times, maintain bank accounts whose balances exceed federally insured limits. However, the Center has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Property and Equipment

Expenditures for additions, major renewals and betterment of property and equipment with a cost in excess of \$500 are capitalized. The fair value of donated property and equipment is similarly capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed by using the straight-line method over the estimated useful lives of the assets.

Donated Materials and Services

Donated materials are recognized as contributions at their estimated fair values at date of receipt. The value of donated services meeting the requirements for recognition in the financial statements was not material and has not been recorded. A substantial number of volunteers have donated significant amounts of time in the Center's programs, development and fund raising activities.

Income Taxes

As mentioned in Note 1, the Center is a tax-exempt organization; accordingly, no provision for income taxes is included in the accompanying financial statements.

The Center files an annual information return (Form 990) with the U.S. government. At June 30, 2011, the Center is no longer subject to U.S. tax examinations of these information returns by tax authorities for years before June 30, 2008.

Functional Allocation of Expenses

Expenses, which are directly related to a function, are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MARTHA O'BRYAN CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. See Note 8 for further details.

Events Occurring After Reporting Date

The Center has evaluated events and transactions that occurred between June 30, 2011 and February 13, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 – SIGNIFICANT SUPPORT

The Center receives a substantial amount of its support from various governmental agencies and from the United Way of Nashville and Middle Tennessee. A major reduction of these funds, should this occur, may have a significant effect on future operations of the Center.

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Unrestricted promises to give	\$ 113,842	\$ 151,366
Temporarily restricted promises to give	<u>918,907</u>	<u>404,042</u>
Gross promises to give	1,032,749	555,408
Less allowance for uncollectible promises	<u>(35,000)</u>	<u>(10,000)</u>
Net promises to give	997,749	545,408
Promises receivable due in less than one year	<u>987,295</u>	<u>545,208</u>
Promises receivable due within one to five years	<u>\$ 10,454</u>	<u>\$ 200</u>

MARTHA O'BRYAN CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,150	\$ 1,150
Buildings and improvements	3,580,232	3,580,232
Equipment	473,826	437,413
Vehicles	30,572	30,572
Fixtures	65,590	65,590
Total cost	<u>4,151,370</u>	<u>4,114,957</u>
Less accumulated depreciation and amortization	<u>(2,206,265)</u>	<u>(2,086,660)</u>
Property and equipment, net	<u>\$ 1,945,105</u>	<u>\$ 2,028,297</u>

NOTE 6 – LEASES

During 2010, the Center financed the purchase of a copier with a capital lease at an imputed interest rate of 4% and capitalized cost of \$29,822. Accumulated depreciation in the statement of financial position includes \$11,928 related to the copier. Depreciation expense reported in the statement of activities for 2011 includes \$5,964 for the copier under capital lease.

Future minimum lease payments as of June 30, 2011 under noncancellable leases are as follows:

Fiscal years ending June 30:	
2012	\$ 9,828
2013	9,828
2014	9,828
2015	819
Total payments	<u>30,303</u>
Less amount representing interest	(1,243)
Less amount representing executory costs	(9,929)
Present value of minimum lease payments	<u>\$ 19,131</u>

NOTE 7 – RETIREMENT PLANS

The Center maintains a retirement benefit plan. Effective January 1, 2010, the plan was converted to a 401(k) plan. Employees are eligible to participate in the 401(k) plan after completing one year of service and attaining age eighteen. The Center may make matching contributions to the plan on a discretionary basis.

EEP employees are covered on a pension plan maintained by Metro Public Schools. The Center makes contributions to the plan of 9.05% of certificated employees' earnings and 15.416% of support employees' earnings.

The Center expensed contributions to the above plans totaling \$45,131 and \$16,829 for 2011 and 2010, respectively.

MARTHA O'BRYAN CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 8 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
For subsequent fiscal years	\$ 928,043	\$ 444,042
For specific purposes:		
Employee infrastructure expansion	661,326	912,176
Bakery	97,592	-
Thrive	86,309	33,908
Tied Together	63,507	42,755
Promise Neighborhood	55,333	300
Educational assistance	51,787	47,424
Work Ready	40,000	-
Joyful Noise	14,463	2,343
Flood assistance	7,584	84,574
All others (less than \$10,000 individually in either year)	<u>7,224</u>	<u>9,525</u>
Total	<u>\$ 2,013,168</u>	<u>\$ 1,577,047</u>

There were no permanently restricted net assets at June 30, 2011 and 2010. Cash and cash equivalents include \$1,132,872 and \$1,213,006 of temporarily restricted cash at June 30, 2011 and 2010.

NOTE 9 – RELATED PARTIES

The Center receives funding from the Martha O'Bryan Foundation Inc. ("Foundation"), a related entity which is governed by a separate Board of Directors. A total of \$27,724 and \$27,336 was received from the Foundation during 2011 and 2010, respectively.

NOTE 10 – RECLASSIFICATIONS

Certain amounts for 2010 have been reclassified to be consistent with the presentation for 2011. These reclassifications did not have a significant effect on the Center's previously reported financial position, changes in net assets, and cash flows.

ADDITIONAL INFORMATION

MARTHA O'BRYAN CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011

CFDA Number	Program Name	Grant/Contract Number	Pass-through Grantor Agency	Beginning Receivable	Cash Receipts	Expenditures	Ending Receivable, (Deferred)
94.006	AmeriCorps	DG-05-01914-06 & 05-037379-05	Tennessee Dept. of Finance and Administration	\$ 16,599	\$ 146,631	\$ 143,770	\$ 13,738
84.287C	21st Century Community Learning Center	Z-09-212332-00	Tennessee Department of Education	15,572	113,568	108,095	10,099
84.282A	EEP Planning Grant	U282A090013	Tennessee Department of Education	-	225,000	186,390	(38,610)
Total Federal Awards				\$ 32,171	\$ 485,199	\$ 438,255	\$ (14,773)

Federal Awards:

Basis of Presentation: The above schedule is prepared on the accrual basis of accounting.

MARTHA O'BRYAN CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

CFDA Number	Program Name	Grant/Contract Number	Grantor Agency	Beginning Receivable	Cash Receipts	Expenditures	Ending Receivable, (Deferred)
<u>State Financial Assistance:</u>							
N/A	GOCCC-Tied Together	GR1028533	Tennessee Dept. of Finance and Administration	\$ 74,979	\$ 329,468	\$ 278,769	\$ 24,280
N/A	CACFP	03-47-50955-00-9	Tennessee Dept. of Human Services	17,512	82,523	75,614	10,603
Total State Financial Assistance				\$ 92,491	\$ 411,991	\$ 354,383	\$ 34,883
Total Federal Awards and State Financial Assistance				\$ 124,662	\$ 897,190	\$ 792,638	\$ 20,110
<u>Memo Item - Local Government Financial Assistance:</u>							
N/A	Community Enhancement	L-2317	Metro Govt of Nashville and Davidson County	\$ 40,454	\$ 200,854	\$ 160,400	\$ -
Total Federal Awards, State Financial Assistance and Local Government Financial Assistance				\$ 165,116	\$ 1,098,044	\$ 953,038	\$ 20,110

Basis of Presentation: The above schedule is prepared on the accrual basis of accounting.

MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Martha O'Bryan Center, Inc.:

We have audited the financial statements of Martha O'Bryan Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 13, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Martha O'Bryan Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Martha O'Bryan Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Martha O'Bryan Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Compliance and Other Matters (continued)

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Martha O'Bryan Center, Inc. in a separate letter dated February 13, 2012.

Martha O'Bryan Center, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Martha O'Bryan Center, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
February 13, 2012

MARTHA O'BRYAN CENTER, INC.

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011**

Finding 2011-1 – Reconciliation of Bank Accounts

Condition: Complete monthly bank reconciliations were not performed in a timely manner for the Center's operating bank account.

Background: Timely bank reconciliations are a key component of internal control over financial reporting. We noted that most of the bank reconciliations contained unreconciled differences which could not be adequately explained. The unreconciled differences ranged from \$53 to \$40,000 over the course of the year. It becomes more difficult to recognize unauthorized or erroneous transactions in the cash accounts when there are unreconciled differences. In addition, there is no assurance that a small unreconciled difference is not due to several larger transactions that net to a smaller amount.

Recommendation: All bank accounts should be reconciled on a monthly basis before the next month's close. All unreconciled differences should be investigated in a timely manner, so that the appropriate accounting entries can be recorded on a current basis. There should be no carryover of unreconciled differences from one month to the next month.

Management's Response: Additional staff is in place and has been trained to record bank information on a daily basis in order to expedite the bank reconciliation process. That procedure will include printing the daily bank activity and posting the activity by journal and deposit entries into the Sage accounting software. Print-outs of the posting entries will be matched with the daily bank activity providing a clear process of balancing the bank statement. Staff will utilize the Sage "Reconcile Bank Account" section within the software to expedite the balancing process. These procedures will allow staff to perform monthly bank reconciliations in a timely manner, and to investigate any unreconciled differences so that the appropriate accounting entries can be recorded each month.