



**BIG BROTHERS BIG SISTERS
SOUTHEASTERN PENNSYLVANIA**

FINANCIAL STATEMENTS

**DECEMBER 31, 2012 AND 2011
(with supplementary information)**

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Contents

	<u>Page</u>
Financial Statements	
Independent auditors' report	1
Statements of financial position as of December 31, 2012 and 2011	3
Statements of activities and changes in net assets for the years ended December 31, 2012 and 2011	4
Statements of functional expenses for the years ended December 31, 2012 and 2011	6
Statements of cash flows for the years ended December 31, 2012 and 2011	7
Notes to financial statements	8
Supplementary Information	
Schedule of outcomes (unaudited)	16

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Brothers Big Sisters Southeastern Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters Southeastern Pennsylvania (the "Organization"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of 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 audits 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 Organization'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 Organization'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 on the previous page present fairly, in all material respects, the financial position of Big Brothers Big Sisters Southeastern Pennsylvania as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of outcomes, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on the schedule of outcomes.

EisnerAmper LLP

Jenkintown, Pennsylvania
April 2, 2013

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statements of Financial Position

	<u>December 31</u>	
ASSETS	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 2,205,624	\$ 1,951,782
Contributions, pledges and grants receivable, net of allowance of \$21,976 in 2012 and 2011	808,792	918,336
Investments	1,916,440	1,628,127
Prepaid expenses	<u>61,234</u>	<u>29,534</u>
Total current assets	<u>4,992,090</u>	<u>4,527,779</u>
Property and equipment:		
Land	10,000	10,000
Building and leasehold improvements	246,284	246,284
Furniture, fixtures and equipment	178,144	153,263
Vehicles	<u>76,517</u>	<u>76,517</u>
	510,945	486,064
Less accumulated depreciation	<u>349,840</u>	<u>304,991</u>
Net property and equipment	<u>161,105</u>	<u>181,073</u>
Other assets:		
Contributions, pledges, and grants receivable, net of current portion	199,078	390,232
Deposits and other assets	16,557	24,374
Escrow, self insurance fund	<u>17,491</u>	<u>17,891</u>
Total other assets	<u>233,126</u>	<u>432,497</u>
	<u><u>\$ 5,386,321</u></u>	<u><u>\$ 5,141,349</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 119,447</u>	<u>\$ 63,936</u>
Commitments		
NET ASSETS		
Unrestricted	4,506,260	3,947,374
Temporarily restricted	724,664	1,094,089
Permanently restricted	<u>35,950</u>	<u>35,950</u>
Total net assets	<u>5,266,874</u>	<u>5,077,413</u>
	<u><u>\$ 5,386,321</u></u>	<u><u>\$ 5,141,349</u></u>

See notes to financial statements

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statement of Activities and Changes in Net Assets Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues and support:				
Government funding	\$ 1,572,310	\$ -	\$ -	\$ 1,572,310
Foundations, corporate and other support	1,172,771	324,300	-	1,497,071
Contributions and donated goods and services	299,492	84,980	-	384,472
Special events, net of direct expenses of \$135,188	686,629	-	-	686,629
Net assets released from restrictions	<u>778,705</u>	<u>(778,705)</u>	<u>-</u>	<u>-</u>
	<u>4,509,907</u>	<u>(369,425)</u>	<u>-</u>	<u>4,140,482</u>
Operating expenses:				
Program services	2,906,056	-	-	2,906,056
Supporting services:				
Management and general	365,551	-	-	365,551
Fundraising	<u>906,404</u>	<u>-</u>	<u>-</u>	<u>906,404</u>
	<u>4,178,011</u>	<u>-</u>	<u>-</u>	<u>4,178,011</u>
Increase (decrease) in net assets from operations	<u>331,896</u>	<u>(369,425)</u>	<u>-</u>	<u>(37,529)</u>
Nonoperating activities:				
Net realized and unrealized gain on investments	151,894	-	-	151,894
Interest and dividend income	<u>75,096</u>	<u>-</u>	<u>-</u>	<u>75,096</u>
	<u>226,990</u>	<u>-</u>	<u>-</u>	<u>226,990</u>
Change in net assets	558,886	(369,425)	-	189,461
Net assets at beginning of year	<u>3,947,374</u>	<u>1,094,089</u>	<u>35,950</u>	<u>5,077,413</u>
Net assets at end of year	<u>\$ 4,506,260</u>	<u>\$ 724,664</u>	<u>\$ 35,950</u>	<u>\$ 5,266,874</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statement of Activities and Changes in Net Assets Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues and support:				
Government funding	\$ 1,429,459	\$ -	\$ -	\$ 1,429,459
Foundations, corporate and other support	1,205,072	996,450	-	2,201,522
Contributions and donated goods and services	374,214	302,392	-	676,606
Special events, net of direct expenses of \$121,255	408,237	-	-	408,237
Net assets released from restrictions	<u>914,819</u>	<u>(914,819)</u>	<u>-</u>	<u>-</u>
	<u>4,331,801</u>	<u>384,023</u>	<u>-</u>	<u>4,715,824</u>
Operating expenses:				
Program services	3,439,408	-	-	3,439,408
Supporting services:				
Management and general	479,329	-	-	479,329
Fundraising	<u>775,423</u>	<u>-</u>	<u>-</u>	<u>775,423</u>
	<u>4,694,160</u>	<u>-</u>	<u>-</u>	<u>4,694,160</u>
Increase (decrease) in net assets from operations	<u>(362,359)</u>	<u>384,023</u>	<u>-</u>	<u>21,664</u>
Nonoperating activities:				
Net realized and unrealized loss on investments	(186,521)	-	-	(186,521)
Interest and dividend income	<u>63,866</u>	<u>-</u>	<u>-</u>	<u>63,866</u>
	<u>(122,655)</u>	<u>-</u>	<u>-</u>	<u>(122,655)</u>
Change in net assets	(485,014)	384,023	-	(100,991)
Net assets at beginning of year	<u>4,432,388</u>	<u>710,066</u>	<u>35,950</u>	<u>5,178,404</u>
Net assets at end of year	<u>\$ 3,947,374</u>	<u>\$ 1,094,089</u>	<u>\$ 35,950</u>	<u>\$ 5,077,413</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statements of Functional Expenses

	Year Ended December 31									
	2012					2011				
	Program Services	Supporting Services			Total Expenses	Program Services	Supporting Services			Total Expenses
Management and General		Fundraising	Total Supporting Services	Management and General			Fundraising	Total Supporting Services		
Employee related expenses	\$ 2,271,435	\$ 235,086	\$ 670,311	\$ 905,397	\$ 3,176,832	\$ 2,789,030	\$ 285,406	\$ 538,297	\$ 823,703	\$ 3,612,733
Professional fees	29,612	70,598	95,895	166,493	196,105	3,547	130,745	26,923	157,668	161,215
Facilities expenses	248,327	23,871	59,346	83,217	331,544	330,900	33,861	63,865	97,726	428,626
Equipment and office expenses	54,660	11,999	7,407	19,406	74,066	53,374	5,462	10,301	15,763	69,137
Travel, conferences and meetings	80,386	7,727	19,211	26,938	107,324	111,494	11,409	21,519	32,928	144,422
Insurance	41,021	9,005	5,559	14,564	55,585	31,924	6,427	3,655	10,082	42,006
Marketing and fund development	44,190	-	44,190	44,190	88,380	21,322	-	43,290	43,290	64,612
Program and recruitment activities	103,326	-	-	-	103,326	67,920	-	-	-	67,920
Bad debt expense	-	-	-	-	-	-	-	64,151	64,151	64,151
Depreciation	33,099	7,265	4,485	11,750	44,849	29,897	6,019	3,422	9,441	39,338
	<u>\$ 2,906,056</u>	<u>\$ 365,551</u>	<u>\$ 906,404</u>	<u>\$ 1,271,955</u>	<u>\$ 4,178,011</u>	<u>\$ 3,439,408</u>	<u>\$ 479,329</u>	<u>\$ 775,423</u>	<u>\$ 1,254,752</u>	<u>\$ 4,694,160</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statements of Cash Flows

	Year Ended December 31	
	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 189,461	\$ (100,991)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	44,849	39,338
Allowance for doubtful accounts	-	21,976
Realized and unrealized (gain) loss on investments	(151,894)	186,521
Donated securities	(5,141)	(17,410)
(Increase) decrease in assets:		
Contributions, pledges, and grants receivable	300,698	(372,799)
Prepaid expenses	(31,700)	(9,995)
Deposits and other assets	7,817	(6,570)
Escrow, self insurance fund	400	(16,976)
Increase (decrease) in accounts payable and accrued expenses	55,511	(64,851)
Net cash provided by (used in) operating activities	<u>410,001</u>	<u>(341,757)</u>
Cash flows from investing activities:		
Purchase of equipment	(24,881)	-
Proceeds from sale of investments	528,581	858,412
Purchase of investments	(659,859)	(808,567)
Net cash provided by (used in) investing activities	<u>(156,159)</u>	<u>49,845</u>
Net increase (decrease) in cash and cash equivalents	253,842	(291,912)
Cash and cash equivalents at beginning of year	1,951,782	2,243,694
Cash and cash equivalents at end of year	<u>\$ 2,205,624</u>	<u>\$ 1,951,782</u>
Supplemental disclosure of cash flow information:		
Contributed legal services	<u>\$ 4,780</u>	<u>\$ 10,000</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2012 and 2011

NOTE A - ORGANIZATION

The mission of Big Brothers Big Sisters Southeastern Pennsylvania (the "Organization") is to improve the lives of children and strengthen communities through professionally supported, one-to-one mentoring relationships.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting.

[2] Use of estimates:

The presentation 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[3] Cash and cash equivalents:

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Organization places its temporary cash investments with high-credit quality financial institutions. At times, such funds may be in excess of the Federal Deposit Insurance Corporation insurance limit. Management believes that it is not exposed to any significant credit risks on its cash accounts.

[4] Contributions, pledges, and grants receivable:

Contributions receivable include individual, government, corporate and foundation amounts. Contributions are recorded in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization records contributions at the estimated present value of the future cash flows, net of allowances for doubtful accounts. The allowance is based on prior years' experience and management's analysis of specific promises made, collectability and historical trends in collection. Revenue from government grants is recognized as expenditures are made.

[5] Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt and equity securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets and are offset by investment expenses of \$9,143 and \$11,360 for the years ended December 31, 2012 and 2011, respectively. Upon Board approval, up to 5% of the prior year's ending investment balance can be used to offset general operating expenses and/or for budgeted program expenses. The Organization did not transfer any of the investment balance during the years ended December 31, 2012 and 2011.

[6] Property and equipment and depreciation:

Property and equipment are stated at cost. Major renewals and betterments are added to the property accounts while ordinary maintenance and repairs are expensed currently. Upon sale or retirement of an asset, the cost and related accumulated depreciation are removed from the accounts and the resultant gain or loss, if any, is included in income. Donated equipment is capitalized at fair value as of the date of the donation.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Property and equipment and depreciation (continued):

Depreciation is provided using straight-line as well as accelerated methods over the estimated useful lives of the related assets, ranging from three to seven years. Depreciation for the years ended December 31, 2012 and 2011 was \$44,849 and \$39,338, respectively.

[7] Classification of net assets:

The Organization's net assets have been grouped into the following three classes:

- ***Unrestricted Net Assets***

Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

- ***Temporarily Restricted Net Assets***

Temporarily restricted net assets are 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 and changes in net assets as net assets released from restrictions.

- ***Permanently Restricted Net Assets***

Permanently restricted net assets are subject to donor-imposed stipulations that the assets 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 any related investment for general or specific purposes.

[8] Functional expenses:

Expenses are charged to program services based on direct expenditures incurred. Any expenditures not directly chargeable have been allocated among program and supporting services classifications on the basis of time records and on estimates made by the Organization's management.

NOTE C - RECEIVABLES

Contributions, pledges, and grants receivable, which are receivable in more than one year, are discounted at a rate of 5% to approximate fair value. In determining fair value, the Organization considers the creditworthiness of the donors, the Organization's past collection experience and its procedures to collect promises to give.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2012 and 2011

NOTE C - RECEIVABLES (CONTINUED)

Contributions, pledges, and grants receivable as of December 31, 2012 and 2011 are as follows:

<u>Contributions, Pledges, and Grants Receivable</u>	<u>2012</u>	<u>2011</u>
Less than one year	\$ 830,768	\$ 940,312
One year to five years	219,554	452,805
Over five years	<u>236</u>	<u>780</u>
Total receivables	1,050,558	1,393,897
Less total discounts to net present value	20,712	63,353
Less allowance for uncollectable receivables	<u>21,976</u>	<u>21,976</u>
Total net receivables	<u>\$ 1,007,870</u>	<u>\$ 1,308,568</u>

NOTE D - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants.

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

The following is a description of the valuation methodologies used for assets measured at fair value, which have not changed from those used at December 31, 2011.

Mutual funds – Valued at the net asset value of shares held by the Organization at year-end.

Common stocks and exchange traded funds – Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2012 and 2011

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following table sets forth, by level, the Organization's assets at fair value, within the fair value hierarchy as of December 31, 2012 and 2011:

	Investment Assets at Fair Value as of			
	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Common stocks:				
Energy	\$ 33,958	\$ -	\$ -	\$ 33,958
Financial	23,559	-	-	23,559
Health care	38,455	-	-	38,455
Industrials	64,512	-	-	64,512
Metals and mining	41,730	-	-	41,730
Total common stocks	<u>202,214</u>	<u>-</u>	<u>-</u>	<u>202,214</u>
Mutual funds:				
Bond funds:				
Foreign	96,816	-	-	96,816
Limited term	175,994	-	-	175,994
High yield	100,072	-	-	100,072
Equity funds:				
Defensive	91,407	-	-	91,407
International	52,105	-	-	52,105
Large growth	92,893	-	-	92,893
Mid small value	44,460	-	-	44,460
Total mutual funds	<u>653,747</u>	<u>-</u>	<u>-</u>	<u>653,747</u>
Exchange-traded funds:				
Agriculture	56,453	-	-	56,453
Currencies	101,777	-	-	101,777
Emerging markets	294,282	-	-	294,282
Income stocks	99,997	-	-	99,997
International	50,346	-	-	50,346
Large core	189,862	-	-	189,862
Large growth	91,243	-	-	91,243
Energy	40,551	-	-	40,551
Financial	58,741	-	-	58,741
Technology	77,227	-	-	77,227
Total exchange-traded funds	<u>1,060,479</u>	<u>-</u>	<u>-</u>	<u>1,060,479</u>
Total investment assets at fair value	<u>\$ 1,916,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,916,440</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2012 and 2011

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

	Investment Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Common stocks:				
Energy	\$ 34,035	\$ -	\$ -	\$ 34,035
Financial	17,591	-	-	17,591
Health care	34,303	-	-	34,303
Industrials	46,182	-	-	46,182
Metals and mining	32,631	-	-	32,631
Total common stocks	<u>164,742</u>	<u>-</u>	<u>-</u>	<u>164,742</u>
Mutual funds:				
Bond funds:				
Foreign	89,926	-	-	89,926
Limited term	373,408	-	-	373,408
Equity funds:				
Defensive	71,337	-	-	71,337
International	43,052	-	-	43,052
Large growth	93,271	-	-	93,271
Mid small value	47,667	-	-	47,667
Total mutual funds	<u>718,661</u>	<u>-</u>	<u>-</u>	<u>718,661</u>
Exchange-traded funds:				
Agriculture	41,256	-	-	41,256
Currencies	92,476	-	-	92,476
Emerging markets	211,446	-	-	211,446
Income stocks	93,880	-	-	93,880
International	34,375	-	-	34,375
Large core	92,959	-	-	92,959
Energy	30,184	-	-	30,184
Financial	40,255	-	-	40,255
Technology	107,893	-	-	107,893
Total exchange-traded funds	<u>744,724</u>	<u>-</u>	<u>-</u>	<u>744,724</u>
Total investment assets at fair value	<u>\$ 1,628,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,628,127</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2012 and 2011

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in fair value levels:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended December 31, 2012 and 2011, there were no transfers into or out of Levels 1, 2 or 3.

NOTE E - LINE-OF-CREDIT

Effective August 28, 2012, the Organization obtained a new revolving line-of-credit to finance operations, which has a maximum borrowing availability of \$500,000, and bears interest at the bank's prime (prime was 3.25% as of December 31, 2012). Under the agreement, the Organization must maintain an average deposit and operating balance of \$500,000. There was no outstanding balance on this line-of-credit as of December 31, 2012. The agreement has an expiration date of June 30, 2013. This obligation is secured by substantially all assets of the Organization.

Prior to obtaining the line-of-credit noted above, the Organization had available a \$500,000 bank line-of-credit which expired on February 1, 2011. Subsequent to the expiration, the bank elected not to renew that line-of-credit.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2012 and 2011 are as follows:

	<u>Balance, January, 1 2012</u>	<u>Restricted Funds Received</u>	<u>Released from Restrictions</u>	<u>Balance, December 31, 2012</u>
Time restricted	\$ 302,392	\$ 84,980	\$ 160,660	\$ 226,712
Purpose restricted	19,969	-	-	19,969
Purpose and time restricted	<u>771,728</u>	<u>324,300</u>	<u>618,045</u>	<u>477,983</u>
	<u>\$ 1,094,089</u>	<u>\$ 409,280</u>	<u>\$ 778,705</u>	<u>\$ 724,664</u>
	<u>Balance, January, 1 2011</u>	<u>Restricted Funds Received</u>	<u>Released from Restrictions</u>	<u>Balance, December 31, 2011</u>
Time restricted	\$ 330,147	\$ 302,392	\$ 330,147	\$ 302,392
Purpose restricted	19,969	-	-	19,969
Purpose and time restricted	<u>359,950</u>	<u>996,450</u>	<u>584,672</u>	<u>771,728</u>
	<u>\$ 710,066</u>	<u>\$ 1,298,842</u>	<u>\$ 914,819</u>	<u>\$ 1,094,089</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2012 and 2011

NOTE G - PERMANENTLY RESTRICTED NET ASSETS

Big Brothers Big Sisters Southeastern Pennsylvania received permanently restricted net assets in the amount of \$35,950 as a result of its merger with Montgomery County Big Brothers Big Sisters Association, Inc. The earnings on these permanently restricted net assets are used for general operations.

NOTE H - MAJOR REVENUE SOURCES

In 2012 and 2011, approximately 36% and 45%, respectively, of Big Brothers Big Sisters Southeastern Pennsylvania's revenue was from private foundations and corporations. Additionally in 2012 and 2011, 9% and 15%, respectively, of Big Brothers Big Sisters Southeastern Pennsylvania's revenue came from individual contributions. However, no single foundation, corporation, or individual represents a significant portion of these percentages.

In 2012 and 2011, an additional 38% and 30%, respectively, of Big Brothers Big Sisters Southeastern Pennsylvania's revenue was from government grants. Major funding sources include, but are not limited to, the U.S. Department of Justice, Commonwealth of Pennsylvania, and the City of Philadelphia. In the event these grants and contracts are discontinued or severely restricted, the activities of Big Brothers Big Sisters Southeastern Pennsylvania would be curtailed accordingly.

NOTE I - CONTRIBUTED SERVICES

Donated services are recognized as contributions, in accordance with FASB ASC 958, *Not-for-Profit Entities*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated legal services recognized were \$4,780 and \$10,000 for the years ended December 31, 2012 and 2011, respectively. For the years ended December 31, 2012 and 2011, donated legal services were provided by firms, of which a partner was a member of the Board of Directors of the Organization.

A substantial number of unpaid volunteers have made significant contributions of time to the Organization. The value of this contributed time is not recorded in these statements since it did not meet the criteria necessary to be recorded under accounting principles generally accepted in the United States of America. However, the very existence of the Organization is dependent upon such unpaid volunteer services.

NOTE J - FEDERAL AND STATE INCOME TAXES

The Internal Revenue Service ("IRS") has classified the Organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code"); as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code.

Accounting for Uncertainty in Income Taxes clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any. There was no income tax related interest or penalties recorded for the years ended December 31, 2012 and 2011. The income tax returns of the Organization for the years ended December 31, 2009, 2010 and 2011 are subject to examination by the IRS and other taxing authorities, generally for three years after they were filed.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2012 and 2011

NOTE K - LEASE OBLIGATIONS

Big Brothers Big Sisters Southeastern Pennsylvania leases its facilities under operating leases with various terms expiring through 2017. Monthly payments range from approximately \$1,500 per month to approximately \$8,000 per month over the course of the leases. Rental expense for the years ended December 31, 2012 and 2011 was \$165,481 and \$230,507, respectively. Scheduled future minimum lease payments for leases with terms in excess of one year are as follows:

<u>Year Ending December 31</u>	
2013	\$ 120,688
2014	126,764
2015	123,513
2016	99,898
2017	<u>14,919</u>
	<u>\$ 485,782</u>

NOTE L - RETIREMENT PLAN

The Organization has a 403(b) defined-contribution retirement plan that covers all eligible employees. Employees may contribute to a voluntary tax deferred annuity program up to the amount allowed by the Code. Effective May 1, 2011, the Board of Directors approved the suspension of all Organizational contributions to the employee retirement plan, both in the form of matching contributions and direct pension funding. The Organization will consider reinstatement of the matching program and direct funding in the future as economic conditions warrant. The Organization contributed \$-0- and \$7,840 during the years ended December 31, 2012 and 2011, respectively, net of fees.

NOTE M - SELF-INSURED UNEMPLOYMENT TRUST

The Organization funds its own unemployment claims through a third-party insurance provider. Quarterly contributions are made based upon the Organization's payroll and all claims are paid from the escrowed fund balance. The escrow fund balance as of December 31, 2012 and 2011 was \$17,491 and \$17,891, respectively, and represents premiums paid in excess of liability for claims paid out on behalf of the Organization.

NOTE N - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 2, 2013, which is the date the financial statements were available to be issued.



A Brief Look at Big Brothers Big Sisters SEPA in 2012

2,920 Children Served in Calendar Year 2012

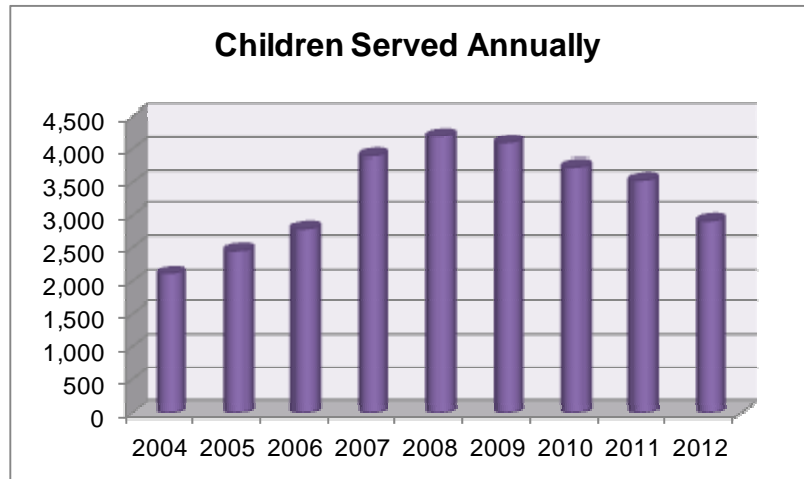
This number is even more impressive given that for every at-risk child served, there were another 2,920 carefully screened and trained volunteers taking an active role in our one-to-one mentoring program as well.

In total, 5,840 children and adults were active participants in the Big Brothers Big Sisters Program in 2012.

Time Invested

2,920 volunteers means that between 70,080 to 140,160 hours of volunteer time were served in 2012 - estimated at what we leveraged for our community last year.*

** Based on an average of 2-4 hours per month per volunteer.*



Strategic Sustainability

Our growth and sustainability has been carefully planned and implemented. To ensure that, in economically challenging times, the number of children matched in our programs remains steady and impactful, we have invested in strategic marketing and communications campaigns designed to increase awareness of the need for BBBS mentoring, and for the funding to support this life-changing mission.

Fiscal Soundness

Big Brothers Big Sisters SEPA has earned a three or four star rating from Charity Navigator for each of the past seven years, indicating that we have "exceeded industry standards, outperformed most charities and managed our finances effectively."

Positive Impact

Children who were matched with mentors (Bigs) demonstrated the following¹:

- 99% avoided becoming a teen parent.
- 97% did not have any arrests, convictions, or were on probation.
- 90% avoided fights using weapons.
- 95% avoided alcohol and drugs.
- 96% passed their classes and progressed to the next grade.

"Before Big Brothers Big Sisters, I didn't see myself being this intelligent. I'm not like other kids my age...now I'm thinking about ivy league colleges."
- Little Sister Shaelyce

Snapshot of Achievements

- 1,022 new mentoring matches made (2012)
- 20 month average length of mentoring relationship (2012)
- Named #1 Nonprofit for At-Risk Youth by GuideStar's Philanthropedia (2011)
- Brought in \$4.3 million in revenue (2011)
- 7th largest of more than 350 Big Brothers Big Sisters agencies nationwide

¹Big Brothers Big Sisters Southeastern PA. 2010, updated annually. Parent Survey. 256 Parent/Guardian respondents. Verbal reports based on their children's behavior for the most recent school year. Administered 2010