



**BIG BROTHERS BIG SISTERS
SOUTHEASTERN PENNSYLVANIA**

FINANCIAL STATEMENTS

**DECEMBER 31, 2010
(with supplementary information)**

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

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Independent Auditors' Report

Board of Directors
Big Brothers Big Sisters Southeastern Pennsylvania
Philadelphia, Pennsylvania

We have audited the accompanying statement of financial position of BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA as of December 31, 2010 and the related statements of activities and changes in net assets, of functional expenses and of cash flows for the six months then ended. These financial statements are the responsibility of BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 SOUTHEASTERN PENNSYLVANIA as of December 31, 2010 and the changes in its net assets and its cash flows for the six months then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying schedule of outcomes is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or any other form of assurance on the schedule of outcomes.



Jenkintown, Pennsylvania
June 13, 2011

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

| ASSETS | |
|--|---------------------|
| Current assets | |
| Cash and cash equivalents | \$ 2,243,694 |
| Contributions and pledges receivable | 586,809 |
| Unconditional promises to give, net of allowance of \$20,597 | 98,708 |
| Investments | 1,832,560 |
| Prepaid expenses | 19,539 |
| Total current assets | 4,781,310 |
| Property and equipment | |
| Land | 10,000 |
| Building and leasehold improvements | 246,284 |
| Furniture, fixtures and equipment | 191,414 |
| Vehicles | 76,517 |
| | 524,215 |
| Less accumulated depreciation | 302,421 |
| Net property and equipment | 221,794 |
| Other assets | |
| Contributions and pledges receivable, net of current portion | 144,835 |
| Unconditional promises to give, net of current portion | 127,393 |
| Deposits and other assets | 30,944 |
| Escrow, self insurance fund | 915 |
| Total other assets | 304,087 |
| Total Assets | \$ 5,307,191 |
| LIABILITIES AND NET ASSETS | |
| Current liabilities | |
| Accounts payable and accrued expenses | \$ 128,787 |
| Commitments | |
| Net assets | |
| Unrestricted | 4,432,388 |
| Temporarily restricted | 710,066 |
| Permanently restricted | 35,950 |
| Total net assets | 5,178,404 |
| Total Liabilities and Net Assets | \$ 5,307,191 |

See notes to financial statements

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
SIX MONTHS ENDED DECEMBER 31, 2010

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------------|-----------------------------------|-----------------------------------|----------------------------|
| Revenues and support | | | | |
| Government funding | \$ 817,987 | \$ - | \$ - | \$ 817,987 |
| Foundations, corporate and other support | 593,281 | 236,820 | - | 830,101 |
| Contributions and donated goods and services | 9,260 | 333,434 | - | 342,694 |
| Special events, net of direct expenses of \$94,825 | 178,389 | - | - | 178,389 |
| Net assets released from restrictions | <u>390,924</u> | <u>(390,924)</u> | <u>-</u> | <u>-</u> |
| Total revenues and support | <u>1,989,841</u> | <u>179,330</u> | <u>-</u> | <u>2,169,171</u> |
| Expenses | | | | |
| Program services | 2,019,825 | - | - | 2,019,825 |
| Management and general | 214,206 | - | - | 214,206 |
| Fund-raising | <u>388,764</u> | <u>-</u> | <u>-</u> | <u>388,764</u> |
| Total expenses | <u>2,622,795</u> | <u>-</u> | <u>-</u> | <u>2,622,795</u> |
| Increase (decrease) in net assets from operations | <u>(632,954)</u> | <u>179,330</u> | <u>-</u> | <u>(453,624)</u> |
| Other nonoperating revenues | | | | |
| Net realized and unrealized gain on investments | 293,495 | - | - | 293,495 |
| Interest and dividend income | <u>46,346</u> | <u>-</u> | <u>-</u> | <u>46,346</u> |
| Total other nonoperating revenues | <u>339,841</u> | <u>-</u> | <u>-</u> | <u>339,841</u> |
| Changes in net assets | (293,113) | 179,330 | - | (113,783) |
| Net assets, beginning of period | <u>4,725,501</u> | <u>530,736</u> | <u>35,950</u> | <u>5,292,187</u> |
| Net assets, end of period | <u><u>\$ 4,432,388</u></u> | <u><u>\$ 710,066</u></u> | <u><u>\$ 35,950</u></u> | <u><u>\$ 5,178,404</u></u> |

See notes to financial statements

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

SIX MONTHS ENDED DECEMBER 31, 2010

| | Supporting Services | | | | Total Expenses |
|---|---------------------|------------------------|-------------------|---------------------------|---------------------|
| | Program Services | Management and General | Fund-Raising | Total Supporting Services | |
| Employee related expenses | \$ 1,506,542 | \$ 129,969 | \$ 194,038 | \$ 324,007 | \$ 1,830,549 |
| Professional fees | 32,023 | 45,748 | 13,724 | 59,472 | 91,495 |
| Facilities expenses | 184,628 | 15,928 | 23,780 | 39,707 | 224,335 |
| Equipment and office expenses | 53,887 | 10,875 | 4,949 | 15,824 | 69,711 |
| Travel, conferences and meetings | 65,819 | 5,678 | 8,477 | 14,156 | 79,975 |
| Insurance | 9,013 | 1,819 | 828 | 2,647 | 11,660 |
| Marketing and fund development | 57,548 | - | 116,841 | 116,841 | 174,389 |
| Program and recruitment activities | 89,611 | - | - | - | 89,611 |
| Bad debt expense | - | - | 24,221 | 24,221 | 24,221 |
| Depreciation | 20,754 | 4,188 | 1,906 | 6,094 | 26,848 |
| Total functional expenses | <u>\$ 2,019,825</u> | <u>\$ 214,206</u> | <u>\$ 388,764</u> | <u>\$ 602,969</u> | <u>\$ 2,622,794</u> |

See notes to financial statements

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

STATEMENT OF CASH FLOWS SIX MONTHS ENDED DECEMBER 31, 2010

Cash flows from operating activities

| | |
|--|------------------|
| Changes in net assets | \$ (113,783) |
| Adjustments to reconcile changes in net assets to net cash used in operating activities | |
| Depreciation | 26,848 |
| Allowance for doubtful accounts | 12,353 |
| Gain on disposition of property and equipment | (350) |
| Realized and unrealized gain on investments | (293,495) |
| Stock donations | (19,224) |
| (Increase) decrease in assets | |
| Contributions and pledges receivable | (67,742) |
| Unconditional promises to give | 70,313 |
| Prepaid expenses and other assets | 1,169 |
| Escrow, self insurance fund | (915) |
| Increase in accounts payable and accrued expenses | 51,499 |
| Net cash used in operating activities | <u>(333,327)</u> |

Cash flows from investing activities

| | |
|--|---------------|
| Proceeds from sale of investments | 139,455 |
| Purchase of investments | (120,537) |
| Purchase of property and equipment | (4,647) |
| Net cash provided by investing activities | <u>14,271</u> |

Net decrease in cash

(319,056)

Cash and cash equivalents, beginning of period

2,562,750

Cash and cash equivalents, end of period

\$ 2,243,694

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES

| | |
|--|--------------------------|
| Contributed legal and marketing services | <u><u>\$ 176,425</u></u> |
|--|--------------------------|

See notes to financial statements

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - 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 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Change in Year-End

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include all activity for the six months ended December 31, 2010. Effective January 1, 2011, the Organization has elected to prospectively effect a change in year-end from June 30 to December 31.

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.

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 investments 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.

Contributions and Pledges Receivable

Contributions receivable include individual, government, corporate and foundation amounts. Contributions, including unconditional promises to give, are recorded as made. 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. This estimate is based upon management's analysis of collectability and historical trends in collection. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unconditional Promises to Give

Unconditional promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires 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 restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization 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.

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 changes in net assets and are offset by investment expenses of \$6,226 for the six months ended December 31, 2010. 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 six months ended December 31, 2010.

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, the cost of the asset 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.

Depreciation is provided using straight-line as well as accelerated methods over the estimated useful lives of the related assets from three to seven years. Depreciation for the six months ended December 31, 2010 was \$26,848.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement 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.

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.

Subsequent Events

The Organization evaluated subsequent events through June 13, 2011, which is the date the statement of financial position was available to be issued.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - RECEIVABLES

Contributions receivable and unconditional promises to give, 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.

Contributions receivable and unconditional promises to give as of December 31, 2010 are as follows:

| <u>Year Ending December 31</u> | <u>Contributions Receivable</u> | <u>Unconditional Promises to Give</u> |
|--------------------------------|-------------------------------------|---|
| 2011 | \$ 586,809 | \$ 98,708 |
| 2012 | 121,042 | 81,305 |
| 2013 | 13,215 | 34,440 |
| 2014 | 10,578 | 21,145 |
| 2015 | - | 7,420 |
| Thereafter | <u>-</u> | <u>1,001</u> |
| | 731,644 | 244,019 |
| Less discount to present value | <u>-</u> | <u>17,918</u> |
| | 731,644 | 226,101 |
| Less current portion | <u>586,809</u> | <u>98,708</u> |
| Noncurrent portion | <u>\$ 144,835</u> | <u>\$ 127,393</u> |

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS

Investments consist of cash, equities, bond and equity funds, and exchange-traded products. Investments are stated at fair value as determined by the most recently traded price of each security at the statement of financial position date. All investments are valued at Level 1 inputs under FASB ASC 820 (see Note 5).

A summary of investments as of December 31, 2010 is as follows:

| | <u>Cost</u> | <u>Fair Value</u> |
|---|-------------------|-------------------|
| Equities | | |
| Agriculture industry | \$ 37,421 | \$ 57,108 |
| Energy industry | 113,879 | 117,011 |
| Financial industry | 80,461 | 82,346 |
| Health care industry | 23,539 | 35,270 |
| Industrials industry | 34,951 | 28,364 |
| Metals and Mining Industry | 17,710 | 52,951 |
| Technology industry | 69,514 | 74,174 |
| Large value | <u>23,375</u> | <u>26,521</u> |
| Total equities | <u>400,850</u> | <u>473,745</u> |
| Mutual funds | | |
| Bond funds | | |
| Foreign bonds | 78,375 | 84,185 |
| Intermediate treasury inflation protected securities | 72,143 | 82,061 |
| Limited term bonds | <u>179,259</u> | <u>185,863</u> |
| Total bond funds | <u>329,777</u> | <u>352,109</u> |
| Equity funds | | |
| Defensive | 30,817 | 29,333 |
| International | 61,330 | 58,392 |
| Large growth | 82,104 | 95,392 |
| Mid small value | <u>77,165</u> | <u>94,084</u> |
| Total equity funds | <u>251,416</u> | <u>277,201</u> |
| Total mutual funds | <u>\$ 581,193</u> | <u>\$ 629,310</u> |

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (continued)

| | | |
|------------------------------------|-------------------------|-------------------------|
| Exchange-traded products | | |
| Agriculture industry | \$ 29,877 | \$ 29,277 |
| Currencies | 72,438 | 93,240 |
| Emerging markets | 202,612 | 304,004 |
| Health care industry | 34,732 | 39,375 |
| International | 44,955 | 65,913 |
| Large core | 51,662 | 58,937 |
| Large value | 74,812 | 78,041 |
| Metals, mining industry | 26,037 | 41,200 |
| Technology industry | <u>14,663</u> | <u>19,518</u> |
| Total exchange-traded products | <u>\$ 551,788</u> | <u>\$ 729,504</u> |
| Final total | <u>\$ 1,533,831</u> | <u>\$ 1,832,559</u> |

The Organization invests in various investment securities that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statement of financial position. The Board of Directors has implemented investment guidelines intended to mitigate the investments' risk.

NOTE 5 - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, established a single definition of fair value and a framework for measuring fair value in U.S. GAAP that is intended to result in increased consistency and comparability in fair value measurements. The standard also expanded disclosures about fair value measurements and applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

The valuation techniques required by the standard are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets. For the six months ended December 31, 2010, investments included cash, equities, bond and equity funds, and exchange-traded products. All investments were valued at Level 1 inputs for the six months ended December 31, 2010.

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.

Management's estimate to value the Organization's Level 1 investments is based on investment valuation statements and other observable inputs (see Note 4).

NOTE 6 - LINE-OF-CREDIT

The Organization has available a \$500,000 bank line-of-credit which expires on February 1, 2011. The line-of-credit, collateralized by a blanket lien on assets, bears interest at a rate of LIBOR plus 2.75% (LIBOR was 0.2606% as of December 31, 2010) but at a minimum of not less than 4.5% at any time. As of December 31, 2010, there were no borrowings against this bank line-of-credit.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2010 are as follows:

| | Balance, June 30, 2010 | Grants Received | Expenses and Transfers | Balance, December 31, 2010 |
|---|------------------------------|--------------------|------------------------------|----------------------------------|
| Time restricted | | | | |
| Breakfast event | \$ 51,947 | \$ 255,800 | \$ 55,234 | \$ 252,513 |
| Individual giving | 80,620 | 77,634 | 80,620 | 77,634 |
| Purpose restricted | | | | |
| Scholarships | 19,969 | - | - | 19,969 |
| Purpose and time restricted community program services | | | | |
| PEW Charitable Trust | 115,000 | - | - | 115,000 |
| PEW OMG Center | - | 21,320 | 4,518 | 16,802 |
| Big Brothers Big Sisters of America | 7,500 | - | 7,500 | - |
| Big Brothers Big Sisters of America - OJJDP | - | 201,500 | - | 201,500 |
| The William Penn Foundation | 97,900 | - | 97,900 | - |
| United Way - Chester County | 39,300 | - | 19,650 | 19,650 |
| United Way - North Penn | - | 14,000 | 7,002 | 6,998 |
| County of Montgomery | 28,500 | - | 28,500 | - |
| SunGard | 30,000 | - | 30,000 | - |
| Urban Outfitters | 60,000 | - | 60,000 | - |
| | <u>\$ 530,736</u> | <u>\$ 570,254</u> | <u>\$ 390,924</u> | <u>\$ 710,066</u> |

NOTE 8 - 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 9 - MAJOR REVENUE SOURCES

A substantial portion of Big Brothers Big Sisters Southeastern Pennsylvania revenue is from grants from the U.S. Department of Education, Commonwealth of Pennsylvania, county and local governments and contracts from various sources. In the event these grants and contracts were discontinued or severely restricted, the activities of Big Brothers Big Sisters Southeastern Pennsylvania would be curtailed accordingly.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - CONTRIBUTED SERVICES

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, 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 and marketing services recognized were \$176,425 for the six months ended December 31, 2010.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of this contributed time is not recorded in these statements since it did not meet the criteria 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 11 - FEDERAL AND STATE INCOME TAXES

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. During the six months ended December 31, 2010, the Organization had no unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

U.S. GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their federal or state tax returns. Management has evaluated the impact of this standard (which became effective in 2009) on its financial statements and believes that there are no uncertain tax positions and the effects of adopting this standard are not material to the Organization's financial position or results of operations.

The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any, as a management and general administrative expense. There were no income tax related interest or penalties recorded for the six months ended December 31, 2010.

The federal and state exempt organization tax returns of the Organization for the years ended June 30, 2008, 2009 and 2010 are subject to examination by the Internal Revenue Service and other various taxing authorities, generally for three years after they were filed.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - LEASE OBLIGATIONS

Big Brothers Big Sisters Southeastern Pennsylvania leases its facilities under operating leases. Rental expense for the six months ended December 31, 2010 was \$120,761. Scheduled future minimum lease payments for leases with terms in excess of one year are as follows:

| <u>Year Ending December 31</u> | |
|--------------------------------|---------------------|
| 2011 | \$ 205,250 |
| 2012 | 230,662 |
| 2013 | 179,995 |
| 2014 | 182,783 |
| 2015 | 145,802 |
| Thereafter | <u>87,620</u> |
| | <u>\$ 1,032,112</u> |

NOTE 13 - 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 Internal Revenue Code. The Organization contributes 1% of compensation for all eligible employees, in addition to a 50% match of employee contributions up to 2% of compensation. The Organization contributed \$27,706 during the six months ended December 31, 2010, net of fees. Effective May 1, 2011, the Board of Directors approved the suspension of all Organizational contributions to employee retirement plans; both in the form of matching contributions and direct pension funding. The Organization will consider reinstatement of these matches in the future as economic conditions warrant.

NOTE 14 - 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, 2010 was \$915 and represents a balance of premiums paid in excess of liability for claims paid out on behalf of the Organization.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

SCHEDULE OF OUTCOMES (UNAUDITED)

"I love having a Big because he keeps me out of trouble. My Big helps me to stay positive on things and look at the good side of myself."

-Little Brother Jamir

3,907 Children Served in Calendar Year 2010

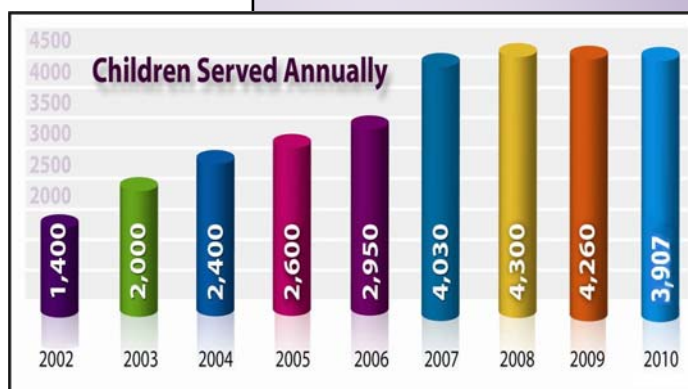
This number is even more impressive given that for every at-risk child served, there were another 3,907 carefully, screened and trained volunteers taking an active role in our one-to-one mentoring program as well.

In total, 7,814 children and adults were active participants in the Big Brothers Big Sisters Program in 2010.

Time Invested

3,907 volunteers means that between 94,000 to 187,500 hours of volunteer time were served in 2010 - 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 five 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% children passed their classes and progressed to the next grade.

Awards

- BBBS SEPA's 26-member Board was awarded "Board of the Year" by BBBS of America (2009).
- One of only 17 out of approximately 350 Big Brothers Big Sisters agencies nationwide named a "Gold Standard Performer" by BBBS of America (2008) for growth and quality program delivery.

¹ Big 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.