

**BIG BROTHERS BIG SISTERS
SOUTHEASTERN PENNSYLVANIA**

FINANCIAL STATEMENTS

**WITH REPORTING REQUIREMENTS FOR
*GOVERNMENT AUDITING STANDARDS***

**DECEMBER 31, 2015 AND 2014
(with supplementary information)**

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

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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, 2015 and 2014, 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 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 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, 2015 and 2014, 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 outcome, which is the responsibility of management, is presented for 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2016 on our consideration of Big Brothers Big Sisters Southeastern Pennsylvania's internal control over financial reporting and on 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* in considering Big Brothers Big Sisters Southeastern Pennsylvania's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "EisnerAmper LLP". The signature is written in black ink and is positioned in the lower-left area of the page.

Philadelphia, Pennsylvania
April 4, 2016

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statements of Financial Position

	December 31	
ASSETS	2015	2014
Current assets:		
Cash and cash equivalents	\$ 443,509	\$ 1,101,583
Contributions, pledges and grants receivable	2,037,688	1,040,809
Investments	2,825,722	3,530,395
Prepaid expenses	19,657	25,240
Total current assets	5,326,576	5,698,027
Property and equipment:		
Land	10,000	10,000
Building and leasehold improvements	263,206	241,227
Furniture, fixtures and equipment	187,934	187,603
Vehicles	76,517	76,517
	537,657	515,347
Less accumulated depreciation	393,126	360,204
Net property and equipment	144,531	155,143
Other assets:		
Contributions, pledges, and grants receivable, net	146,951	26,459
Deposits and other assets	10,636	16,304
Escrow, unemployment fund	15,735	13,409
Total other assets	173,322	56,172
	\$ 5,644,429	\$ 5,909,342
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 161,129	\$ 120,644
Deferred rent	60,039	-
Total liabilities	221,168	120,644
Commitments		
NET ASSETS		
Unrestricted:		
Operations	4,474,992	5,147,002
Board designated	350,000	350,000
Temporarily restricted	562,319	255,746
Permanently restricted	35,950	35,950
Total net assets	5,423,261	5,788,698
	\$ 5,644,429	\$ 5,909,342

See notes to financial statements

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues and support:				
Government funding	\$ 1,734,485	\$ -	\$ -	\$ 1,734,485
Foundations, corporate and other support	1,278,506	624,620	-	1,903,126
Contributions	845,010	60,032	-	905,042
Special events, net of direct benefit to donors of \$685,671	988,499	-	-	988,499
Contributed services	1,146,786	-	-	1,146,786
Mentoring resource center	219,450	-	-	219,450
Net assets released from restrictions	378,079	(378,079)	-	-
	<u>6,590,815</u>	<u>306,573</u>	<u>-</u>	<u>6,897,388</u>
Operating expenses:				
Program services:				
Mentoring services	4,198,861	-	-	4,198,861
Mentoring resource center	102,045	-	-	102,045
Supporting services:				
Management and general	627,413	-	-	627,413
Fundraising	2,259,161	-	-	2,259,161
	<u>7,187,480</u>	<u>-</u>	<u>-</u>	<u>7,187,480</u>
Increase (decrease) in net assets from operations	<u>(596,665)</u>	<u>306,573</u>	<u>-</u>	<u>(290,092)</u>
Nonoperating activities:				
Net realized and unrealized loss on investments	(172,874)	-	-	(172,874)
Interest and dividend income	97,529	-	-	97,529
	<u>(75,345)</u>	<u>-</u>	<u>-</u>	<u>(75,345)</u>
Change in net assets	<u>(672,010)</u>	<u>306,573</u>	<u>-</u>	<u>(365,437)</u>
Net assets at beginning of year	<u>5,497,002</u>	<u>255,746</u>	<u>35,950</u>	<u>5,788,698</u>
Net assets at end of year	<u>\$ 4,824,992</u>	<u>\$ 562,319</u>	<u>\$ 35,950</u>	<u>\$ 5,423,261</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statement of Activities and Changes in Net Assets Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues and support:				
Government funding	\$ 2,927,512	\$ -	\$ -	\$ 2,927,512
Foundations, corporate and other support	1,506,549	333,288	-	1,839,837
Contributions	667,236	-	-	667,236
Special events, net of direct benefit to donors of \$179,893	653,829	-	-	653,829
Net assets released from restrictions	515,937	(515,937)	-	-
	<u>6,271,063</u>	<u>(182,649)</u>	<u>-</u>	<u>6,088,414</u>
Operating expenses:				
Program services:				
Mentoring services	3,944,566	-	-	3,944,566
Mentoring resource center	139,590	-	-	139,590
Supporting services:				
Management and general	757,579	-	-	757,579
Fundraising	853,181	-	-	853,181
	<u>5,694,916</u>	<u>-</u>	<u>-</u>	<u>5,694,916</u>
Increase (decrease) in net assets from operations	<u>576,147</u>	<u>(182,649)</u>	<u>-</u>	<u>393,498</u>
Nonoperating activities:				
Net realized and unrealized loss on investments	(34,063)	-	-	(34,063)
Interest and dividend income	124,942	-	-	124,942
	<u>90,879</u>	<u>-</u>	<u>-</u>	<u>90,879</u>
Change in net assets	667,026	(182,649)	-	484,377
Net assets at beginning of year	<u>4,829,976</u>	<u>438,395</u>	<u>35,950</u>	<u>5,304,321</u>
Net assets at end of year	<u>\$ 5,497,002</u>	<u>\$ 255,746</u>	<u>\$ 35,950</u>	<u>\$ 5,788,698</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statements of Functional Expenses

	Year Ended December 31										
	2015					2014					
	Program Services		Supporting Services			Total Expenses	Program Services		Supporting Services		Total Expenses
	Mentoring Services	Mentoring Resource Center	Management and General	Fundraising	Mentoring Services		Mentoring Resource Center	Management and General	Fundraising		
Employee related expenses	\$ 2,865,247	\$ 77,439	\$ 348,476	\$ 580,794	\$ 3,871,956	\$ 2,722,945	\$ 35,875	\$ 419,743	\$ 408,980	\$ 3,587,543	
Professional fees	99,561	1,475	141,611	266,645	509,292	590	56,692	270,466	262,789	590,537	
Facilities expenses	397,484	10,743	80,571	48,343	537,141	333,105	4,389	51,348	50,032	438,874	
Equipment and office expenses	327,554	8,853	39,838	66,395	442,640	23,620	38,109	2,541	4,394	68,664	
Travel, conferences and meetings	52,531	2,025	8,241	21,331	84,128	54,858	3,831	5,348	39,935	103,972	
Insurance	46,254	1,250	5,626	9,376	62,506	47,525	433	5,074	8,849	61,881	
Marketing and fund development	11,835	-	-	102,020	113,855	26,622	-	-	26,621	53,243	
In-kind advertising	-	-	-	1,146,786	1,146,786	-	-	-	-	-	
Program and recruitment activities	369,828	-	-	-	369,828	635,491	-	-	(31,696)	603,795	
Bad debt expense	-	-	-	12,152	12,152	-	-	-	77,943	77,943	
Repayment of grant	-	-	-	-	-	71,164	-	-	-	71,164	
Depreciation	28,567	260	3,050	5,319	37,196	28,646	261	3,059	5,334	37,300	
	<u>\$ 4,198,861</u>	<u>\$ 102,045</u>	<u>\$ 627,413</u>	<u>\$ 2,259,161</u>	<u>\$ 7,187,480</u>	<u>\$ 3,944,566</u>	<u>\$ 139,590</u>	<u>\$ 757,579</u>	<u>\$ 853,181</u>	<u>\$ 5,694,916</u>	

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statements of Cash Flows

	Year Ended December 31	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (365,437)	\$ 484,377
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	37,196	37,300
Bad debt expense	12,152	77,943
Realized and unrealized loss on investments	172,874	34,063
Donated securities	(20,874)	(20,831)
Proceeds from sale of donated securities	20,874	20,831
(Increase) decrease in assets:		
Contributions, pledges, and grants receivable	(1,129,523)	(655,900)
Prepaid expenses	5,583	37,615
Deposits and other assets	5,668	1,300
Escrow, self-insurance fund	(2,326)	4,376
Increase in liabilities:		
Accounts payable and accrued expenses	40,485	-
Deferred rent	60,039	66,238
	<u>(1,163,289)</u>	<u>87,312</u>
Net cash provided by (used in) operating activities		
	<u>(1,163,289)</u>	<u>87,312</u>
Cash flows from investing activities:		
Purchase of property and equipment	(26,584)	(50,620)
Proceeds from sale of investments	1,272,389	584,427
Purchase of investments	(740,590)	(1,969,970)
	<u>505,215</u>	<u>(1,436,163)</u>
Net cash provided by (used in) investing activities		
	<u>505,215</u>	<u>(1,436,163)</u>
Change in cash and cash equivalents	<u>(658,074)</u>	<u>(1,348,851)</u>
Cash and cash equivalents at beginning of year	<u>1,101,583</u>	<u>2,450,434</u>
Cash and cash equivalents at end of year	<u>\$ 443,509</u>	<u>\$ 1,101,583</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2015 and 2014

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 in accordance with accounting principles generally accepted in the United States of America.

[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 initial maturities 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] Revenue recognition:

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. Revenue from government grants is recognized as expenditures are made.

[5] Contributions, pledges and grants receivable:

Contributions receivable include individual, corporate and foundation amounts. The Organization records promises to give at the estimated present value of the future cash flows, net of an allowance 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. All contributions are available for unrestricted use unless specifically restricted by the donor.

[6] 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 statements of financial position. Unrealized gains and losses are included in the change in net assets and are net of investment expenses of \$11,273 and \$11,235 for the years ended December 31, 2015 and 2014, respectively. Upon Board approval, up to 5% of the prior year's ending investment balance can be used for 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, 2015 and 2014.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Property and equipment and depreciation:

Property and equipment are stated at cost less accumulated depreciation. 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 the statements of activities and changes in net assets. Donated equipment is capitalized at its approximate 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, ranging from three to thirty-nine years. Depreciation for the years ended December 31, 2015 and 2014 was \$37,196 and \$37,300, respectively.

Management evaluates the recoverability of long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2015 and 2014, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[8] Classification of net assets:

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

- ***Unrestricted***

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. During the years ended December 31, 2015 and 2014, the Board designated \$350,000 to be used toward program activities in subsequent years.

- ***Temporarily Restricted***

Temporarily restricted net assets represent those resources that have been restricted by donors for time and specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

- ***Permanently Restricted***

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 related investments for general or specific purposes.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Contributed services:

Several professional media companies donated advertising services to BBBS in connection with the 100th Anniversary Celebration. Contributed services are recorded at the fair value of the services received. Contributed services for the year ended December 31, 2015 totaled \$1,146,786. This amount is included in operating revenues and support as contributed services and fundraising expenses as in-kind advertising. The contributions of services are recognized if the services received: (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not provided by donation.

[10] Functional expenses:

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

[11] Reclassification:

Certain amounts in the 2014 financial statements were reclassified to conform to the current year presentation. The reclassification had no impact on total assets, total liabilities, total net assets or change in net assets.

NOTE C - CONTRIBUTIONS, PLEDGES AND GRANTS RECEIVABLE

Contributions, pledges, and grants receivable, which are receivable in more than one year, are discounted at a risk-free rate of return, appropriate for the expected term of the promise to give, and approximate the net present value of the estimated future cash flows. 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, pledges, and grants receivable as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 2,041,526	\$ 1,040,809
One year to five years	<u>152,700</u>	<u>30,900</u>
Total receivables	2,194,226	1,071,709
Less total discounts to net present value	5,749	3,901
Less allowance for uncollectable receivables	<u>3,838</u>	<u>540</u>
Total net receivables	<u>\$ 2,184,639</u>	<u>\$ 1,067,268</u>

Pledges which are receivable in more than one year are discounted at a rate of 1.75% to 5%.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

**Notes to Financial Statements
December 31, 2015 and 2014**

NOTE D - INVESTMENTS

The Organization’s investment activity for the years ended December 31, 2015 and 2014 is summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
For the year ended December 31, 2015:			
Balance at end of year	<u>\$ 2,751,776</u>	<u>\$ 2,825,722</u>	<u>\$ 73,946</u>
Balance at beginning of year	<u>\$ 3,246,398</u>	<u>\$ 3,530,395</u>	<u>283,997</u>
Decrease in unrealized gain			(210,051)
Net realized gain for year			<u>37,177</u>
Total net loss on investments			<u>\$ (172,874)</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
For the year ended December 31, 2014:			
Balance at end of year	<u>\$ 3,246,398</u>	<u>\$ 3,530,395</u>	\$ 283,997
Balance at beginning of year	<u>\$ 1,887,704</u>	<u>\$ 2,178,915</u>	<u>291,211</u>
Decrease in unrealized gain			(7,214)
Realized net loss for year			<u>(26,849)</u>
Total net loss on investments			<u>\$ (34,063)</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2015 and 2014

NOTE E - FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various approaches, including market, income and/or cost approaches. The Organization uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and 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 and the Organization's related classification of investments are described below:

Level 1 – Values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or inputs that are derived principally from or corroborated by observable market data. There were no Level 2 investments as of December 31, 2015 and 2014.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurements. There were no Level 3 investments as of December 31, 2015 and 2014.

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 is a description of the valuation methodologies used for assets measured at fair value, which have not changed from those used as of December 31, 2014:

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, 2015 and 2014

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth, by level, the Organization's assets at fair value, within the fair value hierarchy, as of December 31, 2015 and 2014:

	Assets at Fair Value as of			Total
	Level 1	Level 2	Level 3	
Common stocks:				
Energy	\$ 52,480	\$ -	\$ -	\$ 52,480
Financial	53,329	-	-	53,329
Health care	57,636	-	-	57,636
Industrials	59,161	-	-	59,161
Natural resources	4,388	-	-	4,388
Technology industry	54,249	-	-	54,249
Total common stocks	<u>281,243</u>	<u>-</u>	<u>-</u>	<u>281,243</u>
Mutual funds:				
Bond funds:				
Limited term	220,776	-	-	220,776
High yield	215,558	-	-	215,558
Foreign bonds	642,802	-	-	642,802
Equity funds:				
Strategy	85,079	-	-	85,079
International	150,933	-	-	150,933
Large growth	117,352	-	-	117,352
Total mutual funds	<u>1,432,500</u>	<u>-</u>	<u>-</u>	<u>1,432,500</u>
Exchange-traded funds:				
Emerging markets	272,059	-	-	272,059
Income stocks	137,007	-	-	137,007
Large value	108,360	-	-	108,360
Large core	224,623	-	-	224,623
Large growth	108,576	-	-	108,576
Energy	56,694	-	-	56,694
Financial	71,045	-	-	71,045
Health care	46,592	-	-	46,592
Technology	87,023	-	-	87,023
Total exchange-traded funds	<u>1,111,979</u>	<u>-</u>	<u>-</u>	<u>1,111,979</u>
Total assets at fair value	<u>\$ 2,825,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,825,722</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2015 and 2014

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value as of			Total
	December 31, 2014			
	Level 1	Level 2	Level 3	
Common stocks:				
Energy	\$ 38,759	\$ -	\$ -	\$ 38,759
Financial	41,305	-	-	41,305
Health care	53,250	-	-	53,250
Industrials	124,329	-	-	124,329
Technology industry	25,212	-	-	25,212
Total common stocks	<u>282,855</u>	<u>-</u>	<u>-</u>	<u>282,855</u>
Mutual funds:				
Bond funds:				
Global long	1,270,485	-	-	1,270,485
Limited term	254,043	-	-	254,043
High yield	178,051	-	-	178,051
Equity funds:				
Strategy	90,989	-	-	90,989
International	81,432	-	-	81,432
Large growth	110,524	-	-	110,524
Total mutual funds	<u>1,985,524</u>	<u>-</u>	<u>-</u>	<u>1,985,524</u>
Exchange-traded funds:				
Emerging markets	273,461	-	-	273,461
Income stocks	143,579	-	-	143,579
International	70,012	-	-	70,012
Large value	105,536	-	-	105,536
Large core	229,342	-	-	229,342
Large growth	111,188	-	-	111,188
Energy	79,819	-	-	79,819
Financial	76,830	-	-	76,830
Health care	49,122	-	-	49,122
Technology	123,127	-	-	123,127
Total exchange-traded funds	<u>1,262,016</u>	<u>-</u>	<u>-</u>	<u>1,262,016</u>
Total assets at fair value	<u>\$ 3,530,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,530,395</u>

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. For the years ended December 31, 2015 and 2014, there were no transfers into or out of Levels 1, 2 or 3.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2015 and 2014

NOTE F - LINE-OF-CREDIT

The Organization has a revolving line-of-credit to finance operations, which has a maximum borrowing availability of \$500,000, and bears interest at the bank's prime rate (prime was 3.50% as of December 31, 2015). Pursuant to the agreement, the Organization must maintain an average deposit and operating balance of \$250,000. There was no outstanding balance on this line-of-credit as of December 31, 2015 and 2014. The maturity date of the line-of-credit is September 30, 2016. This obligation is secured by substantially all assets of the Organization.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets' activity for the years ended December 31, 2015 and 2014 is as follows:

	<u>Balance, January 1, 2015</u>	<u>Restricted Funds Received</u>	<u>Released from Restrictions</u>	<u>Balance, December 31, 2015</u>
Time restricted	\$ 44,777	\$ 59,062	\$ 12,579	\$ 91,260
Purpose restricted	19,969	-	-	19,969
Purpose and time restricted	<u>191,000</u>	<u>625,590</u>	<u>365,500</u>	<u>451,090</u>
	<u>\$ 255,746</u>	<u>\$ 684,652</u>	<u>\$ 378,079</u>	<u>\$ 562,319</u>
	<u>Balance, January 1, 2014</u>	<u>Restricted Funds Received</u>	<u>Released from Restrictions</u>	<u>Balance, December 31, 2014</u>
Time restricted	\$ 190,357	\$ 93,288	\$ 238,868	\$ 44,777
Purpose restricted	19,969	-	-	19,969
Purpose and time restricted	<u>228,069</u>	<u>240,000</u>	<u>277,069</u>	<u>191,000</u>
	<u>\$ 438,395</u>	<u>\$ 333,288</u>	<u>\$ 515,937</u>	<u>\$ 255,746</u>

NOTE H - 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.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2015 and 2014

NOTE I - UNCERTAINTY IN INCOME TAXES

The Internal Revenue Service 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 principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability, if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2015 and 2014, 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, as part of management and general expenses. There were no income tax related interest and penalties recorded for the years ended December 31, 2015 and 2014.

NOTE J - LEASE OBLIGATIONS

Big Brothers Big Sisters Southeastern Pennsylvania leases its facilities under operating leases with various terms expiring through 2023. Payments range from approximately \$1,000 per month to approximately \$23,000 per month over the term of the leases. Rental expense for the years ended December 31, 2015 and 2014 was \$291,350 and \$208,401, respectively. Scheduled future minimum lease payments for leases with terms in excess of one year as of December 31, 2015 are as follows:

<u>Year Ending December 31</u>	
2016	\$ 227,861
2017	258,454
2018	255,327
2019	258,356
2020	263,873
Thereafter	<u>590,266</u>
	<u>\$ 1,854,137</u>

The Organization has obtained a bank letter-of-credit in the amount of \$100,000 in support of a lease for office space. This letter-of-credit expires on February 17, 2017 and is in favor of the Organization's landlord.

NOTE K - 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. The Organization contributed \$5,024 and \$14,156 in matching contributions for the years ended December 31, 2015 and 2014, respectively.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2015 and 2014

NOTE L - FUNCTIONALIZED EXPENSE CLASSIFICATIONS

During each fiscal year, the Organization's expenses, as reported on a functional basis, were as follows:

	<u>2015</u>	<u>2014</u>
Mentoring	\$ 4,198,861	\$ 3,944,566
Mentoring Resource Center	102,045	139,590
Management and general	627,413	757,579
Fundraising (includes direct benefit to donors of \$685,671 and \$179,893)	<u>2,944,832</u>	<u>1,033,074</u>
	<u>\$ 7,873,151</u>	<u>\$ 5,874,809</u>

Included in 2015 fundraising is \$1,146,786 of in-kind advertising.

NOTE M - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 4, 2016, which is the date the financial statements were available to be issued.

Effective January 1, 2016, Big Brothers Big Sisters Southeastern Pennsylvania acquired Big Brothers Big Sisters of Burlington, Camden and Gloucester Counties. The combined entity will be known as BBBS Independence Region to reflect the newly expanded geographic area. The intended benefits of the merger include: serving more children, broadened perspectives by capitalizing on each agency's strengths and best practices, streamlining technology and database systems, a stronger board of directors, increased financial stability, reduced administrative costs, and overall improved outcomes. BBBS of Burlington, Camden and Gloucester Counties had net assets of approximately \$219,000 as of December 31, 2015, total revenues of approximately \$331,000 for the year ended December 31, 2015, and served 430 children during 2015.

**REPORTING REQUIREMENTS FOR
*GOVERNMENT AUDITING STANDARDS***

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
Big Brothers Big Sisters Southeastern Pennsylvania

We have audited, 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, the financial statements of Big Brothers Big Sisters Southeastern Pennsylvania, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Brothers Big Sisters Southeastern Pennsylvania's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Brothers Big Sisters Southeastern Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Brothers Big Sisters Southeastern Pennsylvania's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Big Brothers Big Sisters Southeastern Pennsylvania's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Brothers Big Sisters Southeastern Pennsylvania's financial statements are free from 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. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Big Brothers Big Sisters Southeastern Pennsylvania's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Brothers Big Sisters Southeastern Pennsylvania's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "EisnerAmper LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania
April 4, 2016

SUPPLEMENTARY INFORMATION



A Brief Look at Big Brothers Big Sisters Southeastern PA in 2015

3,351 Children Served in Calendar Year 2015

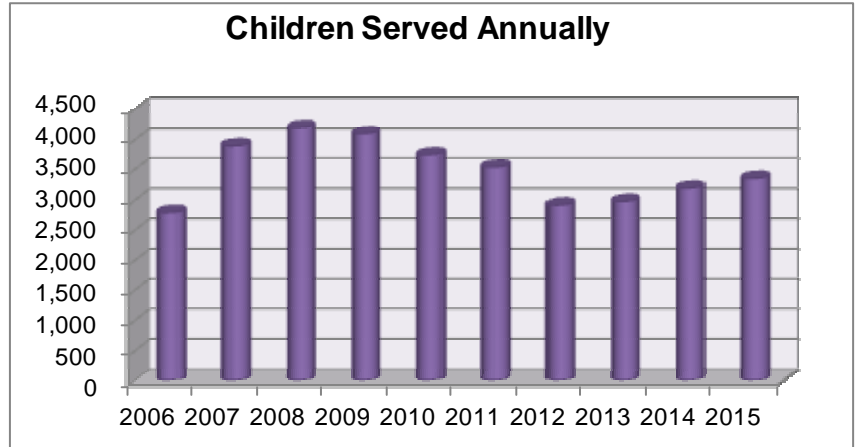
This number is even more impressive given that for every at-risk child served, there were another 3,351 carefully, screened and trained volunteers taking an active role in our one-to-one mentoring program as well.

*In total, **6,702** children and adults were active participants in the Big Brothers Big Sisters Program in 2015.*

Time Invested

3,193 volunteers means that between **80,424 to 160,848 hours of volunteer time were served in 2015** - estimated at what we leveraged for our community last year.*

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



Strategic Sustainability & Fiscal Soundness

Big Brothers Big Sisters Southeastern PA (BBBS SEPA) is celebrated its 100-year anniversary in 2015. Maintaining a fiscally sound organization is fundamental to ensuring BBBS SEPA is around for another hundred years. We are proud to be recognized as a Four Star Charity by Charity Navigator, demonstrating our commitment to transparency.

Positive Impact

1,242 new mentoring matches were made in 2015. The average match length for Community-Based matches was **31.2 months**, and for School-Based Matches, the average was **14.4 months**. We supported our mentoring relationships through more than **23,600** formal contacts.

2015 surveys of Littles in our Community-Based mentoring program show that spending time with their really does make a noticeable impact. After just one year of mentoring...

- **86%** of Littles improved their self-confidence
- **88%** of Littles are more open to trying new things
- **84%** of Littles improved their communication skills
- **84%** of Littles improved their outlook on their future

Additionally, **97%** of children in the program advanced to the next grade; and **75%** of children had zero suspensions; and **100%** of children ages 10 and up avoided using drugs.

Agency Achievements

- Rated a Four Star Charity by Charity Navigator
- 3rd largest of more than 350 Big Brothers Big Sisters agencies nationwide
- 2015 Best of Norristown Award for Youth Organization
- 2014 Whitney M. Young Award by the Urban League of Philadelphia
- Gold Standard Award for Top Performing Agencies in the Nation
- 2014 Non-profit of the Year by the Main Line Chamber of Commerce

Little Sister Trinity and Big Sister Morgan met in October 2013.

When asked how to describe her relationship with Big, Little Sister Trinity said, "**I don't consider Morgan a mentor, I actually consider her a Big Sister.**"

When asked what the difference was, Morgan replied, "**A mentor says 'you have a future' but a Big Sister says, 'How can I help you get there?'**"