

**BIG SISTER ASSOCIATION OF
GREATER BOSTON, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2011

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

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To the Board of Directors
Big Sister Association of Greater Boston, Inc.
Boston, Massachusetts

Independent Auditors' Report

We have audited the accompanying statement of financial position of Big Sister Association of Greater Boston, Inc. (the Association) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2010 financial statements and, in our report dated March 14, 2011, we expressed an unqualified opinion on those financial statements.

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 Association'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 Sister Association of Greater Boston, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

March 5, 2012

Fealey & Discoll, P.C.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Financial Position

December 31, 2011
(with comparative totals as of December 31, 2010)

	2011			2010 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<u>Assets:</u>					
Current assets:					
Cash and cash equivalents	\$ 180,921	\$ -	\$ -	\$ 180,921	\$ 182,839
Pledges receivable, net of allowance of \$25,000 and \$27,500 at December 31, 2011 and 2010, respectively	336,700	264,860	-	601,560	512,948
Investments	476,716	-	-	476,716	512,674
Prepaid expenses	30,871	-	-	30,871	37,716
Total current assets	<u>1,025,208</u>	<u>264,860</u>	<u>-</u>	<u>1,290,068</u>	<u>1,246,177</u>
Property and equipment:					
Office equipment	150,598	-	-	150,598	151,338
Less accumulated depreciation	101,759	-	-	101,759	109,444
	<u>48,839</u>	<u>-</u>	<u>-</u>	<u>48,839</u>	<u>41,894</u>
Other assets:					
Investments	1,596,210	84,879	854,664	2,535,753	2,632,333
Deposits	7,827	-	-	7,827	7,827
	<u>1,604,037</u>	<u>84,879</u>	<u>854,664</u>	<u>2,543,580</u>	<u>2,640,160</u>
Total assets	<u>\$ 2,678,084</u>	<u>\$ 349,739</u>	<u>\$ 854,664</u>	<u>\$ 3,882,487</u>	<u>\$ 3,928,231</u>
<u>Liabilities and Net Assets:</u>					
Current liabilities -					
Accounts payable, accrued expenses and other current liabilities	\$ 173,926	\$ -	\$ -	\$ 173,926	\$ 140,661
Net assets:					
Unrestricted:					
Operating	859,109	-	-	859,109	857,847
Property and equipment	48,839	-	-	48,839	41,894
Board designated:					
Investment	1,596,210	-	-	1,596,210	1,663,613
Temporarily restricted	-	349,739	-	349,739	369,552
Permanently restricted	-	-	854,664	854,664	854,664
Total net assets	<u>2,504,158</u>	<u>349,739</u>	<u>854,664</u>	<u>3,708,561</u>	<u>3,787,570</u>
Total liabilities and net assets	<u>\$ 2,678,084</u>	<u>\$ 349,739</u>	<u>\$ 854,664</u>	<u>\$ 3,882,487</u>	<u>\$ 3,928,231</u>

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Activities

For the year ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

OPERATING	2011			Total	2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenue:					
Public support:					
Private charitable organizations and other grants and contributions	\$ 1,379,755	\$ 284,175	\$ -	\$ 1,663,930	\$ 1,555,019
Special events revenue, net	988,590	-	-	988,590	834,937
Investment returns designated for current operations	122,000	-	-	122,000	120,000
Donated goods and services	37,530	-	-	37,530	14,784
Other income from operating funds	38,363	-	-	38,363	76,537
Funds released from restriction for use in operations	274,811	(274,811)	-	-	-
Total operating revenue	<u>2,841,049</u>	<u>9,364</u>	<u>-</u>	<u>2,850,413</u>	<u>2,601,277</u>
Operating expenses:					
Program expenses:					
Community based mentoring	1,131,987	-	-	1,131,987	887,548
School based mentoring	413,717	-	-	413,717	349,083
Group mentoring	241,550	-	-	241,550	294,426
Volunteer management and recruitment	360,474	-	-	360,474	216,799
Total program expenses	<u>2,147,728</u>	<u>-</u>	<u>-</u>	<u>2,147,728</u>	<u>1,747,856</u>
Volunteer and program support	259,888	-	-	259,888	227,405
Fundraising	430,353	-	-	430,353	312,366
Total operating expenses	<u>2,837,969</u>	<u>-</u>	<u>-</u>	<u>2,837,969</u>	<u>2,287,627</u>
Net increase in net assets from operations	3,080	9,364	-	12,444	313,650
NONOPERATING					
Unrealized losses on investments	(57,948)	(30,208)	-	(88,156)	(67,086)
Investment income	13,586	404	-	13,990	41,777
Realized gains on investments	3,146	627	-	3,773	189,644
Investment management fees	(21,060)	-	-	(21,060)	(18,867)
Increase (decrease) in net assets from nonoperating activities	<u>(62,276)</u>	<u>(29,177)</u>	<u>-</u>	<u>(91,453)</u>	<u>145,468</u>
Change in net assets	(59,196)	(19,813)	-	(79,009)	459,118
Net assets, beginning of year	<u>2,563,354</u>	<u>369,552</u>	<u>854,664</u>	<u>3,787,570</u>	<u>3,328,452</u>
Net assets, end of year	<u>\$ 2,504,158</u>	<u>\$ 349,739</u>	<u>\$ 854,664</u>	<u>\$ 3,708,561</u>	<u>\$ 3,787,570</u>

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Functional Expenses

For the year ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	2011 Programs						Total	2010 Total
	Community Based Mentoring	School Based Mentoring	Group Mentoring	Volunteer Management and Recruitment	Volunteer and Program Support	Fundraising		
Personnel expenses:								
Salaries	\$ 754,849	\$ 254,587	\$ 164,016	\$ 246,158	\$ 179,111	\$ 272,698	\$ 1,871,419	\$ 1,476,418
Employee benefits	64,313	21,691	13,974	20,973	15,260	23,234	159,445	118,324
Payroll taxes	54,373	18,338	11,814	17,731	12,902	19,643	134,801	107,136
Temporary help	8,193	2,763	1,780	2,672	1,944	2,960	20,312	10,017
Staff training and development	1,319	445	287	430	313	476	3,270	7,907
Workers' compensation	1,075	363	234	351	255	388	2,666	3,709
Total personnel expenses	884,122	298,187	192,105	288,315	209,785	319,399	2,191,913	1,723,511
Operating expenses:								
Occupancy expense	58,262	19,650	12,659	18,999	13,824	21,048	144,442	166,526
Professional fees	26,899	41,079	5,082	7,627	5,550	35,473	121,710	103,844
Technology services	35,892	12,530	6,787	10,187	7,412	11,285	84,093	66,926
Public relations/recruitment events	13,325	4,494	2,895	8,414	3,162	4,814	37,104	12,221
Travel	14,633	6,168	5,581	2,408	2,494	2,501	33,785	29,325
Printing and publications	12,289	4,145	2,670	4,007	2,916	4,440	30,467	31,746
Insurance	9,427	3,179	2,048	3,074	2,237	3,406	23,371	28,951
60th anniversary	9,266	3,125	2,013	3,022	2,199	3,347	22,972	-
Supplies	8,903	3,003	1,935	2,903	2,113	3,216	22,073	14,462
Conferences and meetings	9,338	2,160	1,134	1,978	1,238	1,885	17,733	3,628
Postage and shipping	7,016	2,366	1,524	2,288	1,665	2,535	17,394	14,410
Telephone	6,037	2,036	1,312	1,969	1,432	2,181	14,967	19,118
Payment to national affiliate	8,975	4,954	-	-	-	-	13,929	13,794
Program activities	11,402	1,178	284	-	17	40	12,921	12,926
Fundraising expense	-	-	-	-	-	8,926	8,926	6,423
Equipment rent and maintenance	3,063	1,033	666	999	727	1,107	7,595	9,501
Non-capitalized equipment	1,570	529	341	512	372	567	3,891	-
Employment advertising	565	190	123	184	134	204	1,400	1,941
Internet and e-mail	358	121	78	117	85	129	888	3,629
Miscellaneous expense	789	266	171	257	187	289	1,959	3,053
Total expense before depreciation	1,122,131	410,393	239,408	357,260	257,549	426,792	2,813,533	2,265,935
Depreciation	9,856	3,324	2,142	3,214	2,339	3,561	24,436	21,692
Total operating expenses	\$ 1,131,987	\$ 413,717	\$ 241,550	\$ 360,474	\$ 259,888	\$ 430,353	\$ 2,837,969	\$ 2,287,627

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Cash Flows

For the year ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (79,009)	\$ 459,118
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	29,024	30,869
Unrealized losses on investments	88,156	67,086
Realized gain on sale of investments	(3,773)	(289,644)
Investment income	(13,950)	(61,704)
Investment management fees paid	21,312	13,371
Increase (decrease) in cash resulting from:		
Pledges receivable, net	(88,612)	(117,505)
Prepaid expenses	6,845	1,286
Accounts payable, accrued expenses and other current liabilities	33,265	38,347
Net cash (used in) provided by operating activities	<u>(6,742)</u>	<u>141,224</u>
Cash flows from investing activities:		
Proceeds from (purchases of) short term investments	40,793	(202,746)
Proceeds from sale and maturity of investments	-	120,000
Purchases of property and equipment	(35,969)	(2,322)
Net cash provided by (used in) investing activities	<u>4,824</u>	<u>(85,068)</u>
Net (decrease) increase in cash and cash equivalents	(1,918)	56,156
Cash and cash equivalents, beginning of year	<u>182,839</u>	<u>126,683</u>
Cash and cash equivalents, end of year	<u>\$ 180,921</u>	<u>\$ 182,839</u>

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements

December 31, 2011

Note 1 - Organization

Big Sister Association of Greater Boston, Inc. (the "Association") was incorporated in 1951 and is located in Boston, Massachusetts. Its mission is to help girls realize their full potential by providing them with positive mentoring relationships with women. The Association derives the majority of its support from private charitable organizations and special events.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Association in the preparation of the accompanying financial statements is set forth below:

Basis of Presentation - The accounts of the Association are maintained on the accrual basis of accounting. Net assets are classified into permanently restricted, temporarily restricted and unrestricted net assets, when appropriate; to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives as follows:

Unrestricted - Net assets which bear no external restrictions and are generally available for use by the Association. The Association has grouped unrestricted net assets into the following categories:

- 1) Operating - Represents funds available to carry on and grow the operations of the Association.
- 2) Property and Equipment - Reflects the activities related to the Association's property and equipment.
- 3) Board Designated - Investment - Represents funds set aside by the Board of Directors for investment purposes and invested along with Endowment funds in accordance with the Association's investment policy.

Temporarily Restricted - Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled by actions of the Association.

Permanently Restricted - These funds are restricted against any expenditure of principal. Income earned on \$20,000 of the principal is restricted for professional development, but all other income earned on the principal may be used for operating purposes. Accordingly, all such interest income has been reflected in unrestricted net assets.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2011

Note 2 - Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 - For purposes of the statement of cash flows, cash equivalents represent short-term, highly liquid investments with original maturities of three (3) months or less from the date of purchase.

Investments - The Association reports investments at fair market value. Realized gains or losses on sales of investments are based upon specific identification. The change in unrealized appreciation (depreciation) is recorded as the net change in fair value of investments. Investment income is recorded on the accrual basis.

Property and Equipment - All property and equipment are stated at cost. Major renewals, additions and betterments are charged to the property accounts while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed in the year incurred. Depreciation is calculated on the straight-line basis over the expected useful life of the asset as follows:

<u>Description</u>	<u>Useful Life</u>
Office equipment	5 years

Donated Goods and Services - The Association receives services of volunteers to fulfill various aspects of its programs, the most significant of which are services from individuals in 2011 who served as Big Sister volunteers. These individuals contributed over 170,000 hours of service for the year ended December 31, 2011. The value of these services and goods is not reflected in the accompanying financial statements since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the recognition criteria of GAAP. The Association also received donated goods and services that meet the recognition criteria of GAAP and are therefore included in the financial statements.

Promises to Give - Unconditional promises to give that are expected to be collected or paid within one (1) year are recorded at net realizable value. Unconditional promises to give that are expected to be collected or paid in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue or expenses. Conditional promises to give are not included in support or expenses until the conditions are substantially met. The Association provides an allowance for uncollectible accounts equal to estimated bad debt losses. The estimated losses are based on historical collection experience together with a review of the current status of the existing receivables.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2011

Note 2 - Summary of Significant Accounting Policies - Continued

Revenues - Revenues from private charitable organizations and other unrestricted grants and contributions are recorded as unrestricted revenue and net assets when received or unconditionally committed. Revenues from donor restricted grants and contributions are recorded as temporarily restricted revenue and net assets when the Association receives a commitment. Revenue from special events is recognized when earned.

Transfers are made to unrestricted revenue and net assets as costs are incurred or time restrictions or program restrictions have lapsed. Temporarily restricted grants and contributions received and expended for their designated purpose in the same fiscal year are reported as unrestricted revenue.

Expense Allocation - Expenses related directly to a program are distributed to that program. Other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Federal Income Tax - The Association is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Association based on Internal Revenue Code regulations. Tax years from 2008 through the current year remain open for examination by federal, state and foreign tax authorities.

Prior Year Comparative Information - The financial statements include certain prior year summarized comparative information in total, but not by net assets. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Subsequent Events - The Association has evaluated events and transactions subsequent to the statement of financial position date for potential recognition or disclosure in the financial statements through March 5, 2012, which is the date the financial statements were available for issuance.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2011

Note 3 - Investments

The following is a summary of investments and unrealized appreciation as of December 31, 2011:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
Equity mutual funds	\$ 1,146,222	\$ 1,272,862	\$ 126,640
Fixed income mutual funds	1,031,842	1,073,497	41,655
Hard assets	377,059	401,721	24,662
Money market accounts	<u>264,389</u>	<u>264,389</u>	<u>-</u>
Total investments	<u>\$ 2,819,512</u>	<u>\$ 3,012,469</u>	<u>\$ 192,957</u>

Investments at December 31, 2011 are comprised of the following funds in the accompanying statement of financial position:

Invested operating funds	\$ 476,716
Endowment and related appreciation	939,543
Board designated	<u>1,596,210</u>
	<u>\$ 3,012,469</u>

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2011

Note 3 - Investments - Continued

The following schedule summarizes the investment return and its classification in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment income	\$ 55,544	\$ 404	\$ -	\$ 55,948
Net unrealized losses on investments	(57,948)	(30,208)	-	(88,156)
Net realized gains on investments	83,188	627	-	83,815
Investment management fees	<u>(21,060)</u>	<u>-</u>	<u>-</u>	<u>(21,060)</u>
Total return on investments	59,724	(29,177)	-	30,547
Investment returns designated for current operations	<u>122,000</u>	<u>-</u>	<u>-</u>	<u>122,000</u>
Investment return in excess of amounts designated for current operations	<u>\$ (62,276)</u>	<u>\$ (29,177)</u>	<u>\$ -</u>	<u>\$ (91,453)</u>

Investment accounts are insured by the Securities Investor Protection Corporation ("SIPC"), up to \$500,000 per account, should the financial institution falter financially and become unable to meet obligations to its security holders. SIPC coverage does not insure against losses due to market fluctuations. The uninsured investment balance at December 31, 2011 was \$1,535,755.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2011

Note 4 - Fair Value Measurements

The Association measures fair value using a fair value hierarchy which requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

The Financial Accounting and Standards Board (FASB) has defined three levels of inputs that may be used to measure fair value:

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

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Mutual funds, Money Market funds and Money Market Fixed Income Mutual Funds, Hard Assets: Valued at the net asset value (NAV) of shares held by the Association at year end.

Fair Value Measurements on a Recurring Basis:

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Association's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

All of the Association's investments are recorded at Level 1 and that valuation on a recurring basis for the year ended December 31, 2011 follows:

Investments at value:	
Equity mutual funds	\$ 1,272,862
Fixed income mutual funds	1,073,497
Hard assets	401,721
Money market funds	264,389
	<hr/>
	\$ 3,012,469
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BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2011

Note 5 - Endowments

Changes in Endowment net assets for the year ended December 31, 2011 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,663,613	\$ 114,056	\$ 854,664	\$ 2,632,333
Investment return:				
Investment income	50,167	404	-	50,571
Realized gains	84,404	627	-	85,031
Unrealized losses	<u>(58,662)</u>	<u>(30,208)</u>	-	<u>(88,870)</u>
Total investment return	75,909	(29,177)	-	46,732
Investment management fees paid	(21,312)	-	-	(21,312)
Appropriation of endowment assets for expenditure	<u>(122,000)</u>	<u>-</u>	<u>-</u>	<u>(122,000)</u>
Endowment net assets, end of year	<u>\$ 1,596,210</u>	<u>\$ 84,879</u>	<u>\$ 854,664</u>	<u>\$ 2,535,753</u>

Under the policy of the Association, the endowment assets are invested conservatively with the intent of providing a predictable stream of funding to programs supported by the endowment. In February 2010, the Association hired an investment management firm to manage these assets. The firm invests the Association's assets in fixed income, hard assets, and equity-based investments to achieve its long-term return objectives within limited risk constraints. Actual returns in any year may vary due to market fluctuations.

The Association's Board of Directors has an investment policy which governs investments and the spending policy for its investment portfolio, which includes Endowment and Board Designated Investment Funds (the Portfolio). Under this policy, as approved by the Association, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of relevant market indexes while assuming a moderate level of investment risk. Under this policy, up to five percent (5%) of the average market value of these assets, based on a trailing 12-quarter average market value, may be used for operations. The Association believes a spending policy is necessary to carry out the statutorily prescribed standard of ordinary business care and prudence and uses a spending rate of five percent (5%) in order to maintain the purchasing power of the endowment. In accordance with Generally Accepted Accounting Principles (GAAP) and Massachusetts State Law, appreciation (depreciation) on permanently restricted investments is included in temporarily restricted net assets.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2011

Note 5 - Endowments - Continued

State law allows the board to appropriate so much of the net appreciation and current income as is prudent considering the Association's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the Association's long-term investment spending policy, the rate is based on a percent of the trailing 12-quarter average of the ending quarterly market values of the long-term investments. The percent may vary; however, the spending rate will be no more than five percent (5%), unless otherwise approved by the Finance/Investment Committee and the Board. During 2011, in accordance with the Association's investment policy, the Board of Directors voted to release \$122,000 of Board designated investment returns for current operations.

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets were available for use as follows:

Future operations	<u>\$ 349,739</u>
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Note 7 - Donated Goods and Services

Organizations and other volunteers contribute goods and services to the Association in support of other aspects of its programs. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donors, agencies or by management. The value of these goods and services for the year ended December 31, 2011 is as follows:

Types of Goods and Services

Public relations	\$ 26,510
Conferences and meetings	5,060
Program activities	3,960
Printing	<u>2,000</u>
	<u>\$ 37,530</u>

These amounts are recorded as donated goods and services in both revenues and operating expenses in the accompanying financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2011

Note 8 - Pledges Receivable

Pledges receivable at December 31, 2011 are due as follows. All amounts are due within one (1) year.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total unconditional promises to give	\$ 336,700	\$ 289,860	\$ -	\$ 626,560
Less allowance for uncollectible amounts	-	25,000	-	25,000
Net unconditional promises to give	<u>\$ 336,700</u>	<u>\$ 264,860</u>	<u>\$ -</u>	<u>\$ 601,560</u>

Note 9 - Line of Credit

The Association has entered into an agreement with a bank whereby the Association has available up to \$200,000 under a line of credit agreement which expires in May 2012. Borrowings are due on demand and interest is payable monthly at the bank's base lending rate plus one-half percent (0.5%). The line of credit is subject to certain financial reporting covenants which the Association was in compliance with at December 31, 2011. As of December 31, 2011, there was no outstanding balance under this agreement. The line of credit is secured by a portion of the investments of the Association.

Note 10 - Commitments

The Association leases its office space under an operating lease agreement through June 2014. The minimum monthly expense ranges from \$11,198 to \$12,216. The lease is cancelable by either the landlord or tenant upon at least twelve (12) months written notice to the other party. The following is a schedule of the future minimum rental payments under the lease agreement as of December 31, 2011:

Years ending December 31:

2012	<u>\$ 140,484</u>
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Occupancy expense, including rent, utilities, common area charges, and maintenance, for office space was \$ 144,443, for the year ended December 31, 2011.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2011

Note 11 - Related Party Transactions

During August 1996, the Association entered into an agreement with Big Brothers Big Sisters Massachusetts Bay and formed the Big Brother/Big Sister Foundation, Inc. (the Foundation). The Foundation's Board of Directors consists of the CEO of Big Sister Association of Greater Boston, Inc., the president of Big Brothers Big Sisters Massachusetts Bay, three (3) Board members from the Association, three (3) Board members from Big Brothers Big Sisters Massachusetts Bay, and includes three (3) independent board members. The Foundation solicits used clothing and household goods to be resold to commercial vendors. The Association currently serves as a manager for this business, for which it is entitled to receive a management fee equal to the greater of \$25,000 or ten percent (10%) of the net cash flow of the Foundation, up to a maximum fee of \$75,000 per year. For the year ending December 31, 2011, the total amount of fees earned by the Association was \$37,376. This amount is included in other income from operating funds in the accompanying statement of activities.

Cash distributions of the Foundation, to the extent available, are to be split equally between the Association and Big Brothers Big Sisters Massachusetts Bay within thirty (30) days after the end of each fiscal quarter of the Foundation, based on year-to-date operations. If the net cash flow is calculated as a negative amount, then both the Association and Big Brothers Big Sisters Massachusetts Bay shall remit one-half of the totals of this cash shortfall to the Foundation. During the year ended December 31, 2011, the Association received \$180,500 in distributions from the Foundation. These distributions are reflected as contributions in the accompanying statement of activities.

Note 12 - Retirement Plan

The Association had established a 403(b) plan available to all eligible employees per the plan documents. Contributions to the plan are made by employees and the Association does not match employee contributions.