

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

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**Feeley & Driscoll, P.C.**  
Certified Public Accountants / Business Consultants

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

Independent Auditors' Report

We have audited the accompanying financial statements of Big Sister Association of Greater Boston, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Association's 2011 financial statements and, in our report dated March 5, 2012, we expressed an unqualified opinion on those 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.

**Auditors' Responsibility**

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 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 auditors' 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 entity'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 entity'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.

Big Sister Association of Greater Boston, Inc.  
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Independent Auditors' Report - Continued

**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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

March 13, 2013

*Feeley & Dussell, P.C.*

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Financial Position

December 31, 2012  
(with comparative totals as of December 31, 2011)

	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 193,514	\$ 8,333	\$ -	\$ 201,847	\$ 180,921
Pledges and accounts receivable, net of allowance of \$25,000 at December 31, 2012 and 2011, respectively	129,192	265,379	-	394,571	601,560
Investments	395,428	-	-	395,428	476,716
Prepaid expenses	25,924	-	-	25,924	30,871
<b>Total current assets</b>	<b>744,058</b>	<b>273,712</b>	<b>-</b>	<b>1,017,770</b>	<b>1,290,068</b>
<b>Property and equipment:</b>					
Office equipment	81,117	-	-	81,117	150,598
Less accumulated depreciation	16,583	-	-	16,583	101,759
	64,534	-	-	64,534	48,839
<b>Other assets:</b>					
Investments	1,700,954	124,327	854,664	2,679,945	2,535,753
Deposits	7,827	-	-	7,827	7,827
	1,708,781	124,327	854,664	2,687,772	2,543,580
<b>Total assets</b>	<b>\$ 2,517,373</b>	<b>\$ 398,039</b>	<b>\$ 854,664</b>	<b>\$ 3,770,076</b>	<b>\$ 3,882,487</b>
<b>Liabilities and Net Assets:</b>					
<b>Current liabilities -</b>					
Accounts payable, accrued expenses and other current liabilities	\$ 179,896	\$ -	\$ -	\$ 179,896	\$ 173,926
<b>Net assets:</b>					
<b>Unrestricted:</b>					
Operating	571,989	-	-	571,989	859,109
Property and equipment	64,534	-	-	64,534	48,839
Board designated - Investment	1,700,954	-	-	1,700,954	1,596,210
Temporarily restricted	-	398,039	-	398,039	349,739
Permanently restricted	-	-	854,664	854,664	854,664
<b>Total net assets</b>	<b>2,337,477</b>	<b>398,039</b>	<b>854,664</b>	<b>3,590,180</b>	<b>3,708,561</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,517,373</b>	<b>\$ 398,039</b>	<b>\$ 854,664</b>	<b>\$ 3,770,076</b>	<b>\$ 3,882,487</b>

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Activities

For the year ended December 31, 2012  
(with comparative totals for the year ended December 31, 2011)

OPERATING	2012			2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue:				
Public support:				
Private charitable organizations and other grants and contributions	\$ 981,065	\$ 426,183	\$ -	\$ 1,407,248
Special events revenue, net	935,651	20,683	-	956,334
Donated goods and services	218,528	-	-	218,528
Investment returns designated for current operations	130,000	-	-	130,000
Other income from operating funds	49,000	-	-	49,000
Funds released from restriction for use in operations	438,014	(438,014)	-	-
Total operating revenue	<u>2,752,258</u>	<u>8,852</u>	<u>-</u>	<u>2,761,110</u>
Operating expenses:				
Program expenses:				
Community Based Mentoring	1,193,780	-	-	1,193,780
School Based Mentoring	419,866	-	-	419,866
Volunteer Recruitment and Community Partnerships	373,303	-	-	373,303
Impact Services	276,828	-	-	276,828
Total program expenses	<u>2,263,777</u>	<u>-</u>	<u>-</u>	<u>2,263,777</u>
Volunteer and program support	308,667	-	-	308,667
Total assets	<u>463,348</u>	<u>-</u>	<u>-</u>	<u>463,348</u>
Total operating expenses	<u>3,035,792</u>	<u>-</u>	<u>-</u>	<u>3,035,792</u>
Net increase (decrease) in net assets from operations	(283,534)	8,852	-	(274,682)
<b>NON-OPERATING</b>				
Unrealized gains (losses) on investments	87,054	38,183	-	125,237
Investment income	30,228	434	-	30,662
Realized gains on investments	12,996	831	-	13,827
Investment management fees	(21,770)	-	-	(21,770)
Loss on disposal of property and equipment	(878)	-	-	(878)
Other income	9,223	-	-	9,223
Increase (decrease) in net assets from non-operating activities	<u>116,853</u>	<u>39,448</u>	<u>-</u>	<u>156,301</u>
Change in net assets	(166,681)	48,300	-	(118,381)
Net assets, beginning of year	<u>2,504,158</u>	<u>349,739</u>	<u>854,664</u>	<u>3,708,561</u>
Net assets, end of year	<u>\$ 2,337,477</u>	<u>\$ 398,039</u>	<u>\$ 854,664</u>	<u>\$ 3,708,561</u>

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Functional Expenses

For the year ended December 31, 2012  
(with comparative totals for the year ended December 31, 2011)

	2012 Programs						Total	2011 Total
	Community Based Mentoring	School Based Mentoring	Volunteer Recruitment and Community Partnerships	Impact Services	Volunteer and Program Support	Fundraising		
Personnel expenses:								
Salaries	\$ 768,134	\$ 274,698	\$ 233,591	\$ 173,229	\$ 204,077	\$ 303,176	\$ 1,956,905	\$ 1,871,419
Employee benefits	59,278	21,199	18,026	13,368	15,749	23,397	151,017	159,445
Payroll taxes	57,836	20,683	17,588	13,043	15,366	22,828	147,344	134,801
Temporary help	14,030	2,292	2,460	1,400	1,472	2,187	23,841	20,312
Staff training and development	2,742	1,713	668	564	311	552	6,550	3,270
Worker's compensation	1,473	527	448	332	391	582	3,753	2,666
Total personnel expenses	903,493	321,112	272,781	201,936	237,366	352,722	2,289,410	2,191,913
Operating expenses:								
Public relations/recruitment events	70,654	25,267	45,326	15,934	18,771	27,887	203,839	37,104
Occupancy expense	59,785	21,380	18,181	13,483	15,884	23,597	152,310	144,442
Technology services	31,814	12,762	8,873	6,580	11,195	13,734	84,958	84,093
Professional fees	16,613	6,235	3,942	18,851	8,119	6,791	60,551	121,710
Printing and publications	11,441	4,035	4,616	2,544	2,997	4,453	30,086	30,467
Travel	14,257	6,861	3,192	4,089	344	511	29,254	33,785
Insurance	10,295	3,681	3,130	2,321	2,735	4,063	26,225	23,371
Program activities	23,384	724	194	1,843	-	-	26,145	12,921
Conferences and meetings	6,790	2,384	2,213	1,503	4,771	3,328	20,989	17,733
Total assets	7,017	2,028	2,114	1,626	3,505	3,057	19,347	22,073
Payment to national affiliate	10,300	3,695	-	-	-	-	13,995	13,929
Postage and shipping	4,012	1,435	1,220	905	3,066	2,731	13,369	17,394
Telephone	4,844	1,732	1,473	1,092	1,287	1,912	12,340	14,967
Fundraising expense	-	-	-	-	-	11,255	11,255	8,926
Equipment rent and maintenance	3,530	1,262	1,074	796	938	1,491	9,091	7,595
Miscellaneous expense	1,517	542	461	342	402	596	3,860	1,959
Non-cap equipment	953	341	647	215	687	376	3,219	3,891
Employment advertising	1,246	446	379	281	331	492	3,175	1,400
Internet and e-mail	377	135	115	85	100	149	961	888
60th Anniversary	-	-	-	-	-	-	-	22,972
Research and evaluation	-	-	133	-	(6,660)	-	(6,527)	-
Total expense before depreciation	1,182,322	416,057	370,064	274,426	305,838	459,145	3,007,852	2,813,533
Depreciation	11,458	3,809	3,239	2,402	2,829	4,203	27,940	24,436
Total operating expenses	\$ 1,193,780	\$ 419,866	\$ 373,303	\$ 276,828	\$ 308,667	\$ 463,348	\$ 3,035,792	\$ 2,837,969

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Cash Flows

For the year ended December 31, 2012  
(with comparative totals for the year ended December 31, 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (118,381)	\$ (79,009)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	27,940	29,024
Loss on disposal of property and equipment	878	-
Unrealized (gains) losses on investments	(125,237)	88,156
Realized gain on sale of investments	(13,827)	(3,773)
Investment income	(30,601)	(13,950)
Investment Management Fees paid	21,259	21,312
Increase (decrease) in cash resulting from:		
Pledges and accounts receivable, net	206,989	(88,612)
Prepaid expenses	4,947	6,845
Accounts payable, accrued expenses and other current liabilities	5,970	33,265
Net cash used in operating activities	<u>(20,063)</u>	<u>(6,742)</u>
Cash flows from investing activities:		
Net proceeds from sales of short term investments	85,502	40,793
Proceeds from sale and maturity of investments	-	-
Purchases of property and equipment	(44,513)	(35,969)
Contributions to permanently restricted net assets		
Net cash provided by investing activities	<u>40,989</u>	<u>4,824</u>
Net increase (decrease) in cash and cash equivalents	20,926	(1,918)
Cash and cash equivalents, beginning of year	<u>180,921</u>	<u>182,839</u>
Cash and cash equivalents, end of year	<u>\$ 201,847</u>	<u>\$ 180,921</u>
Non-cash investing and financing transactions:		
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ -</u>	<u>-</u>

During the year ended December 31, 2012, the Association disposed of equipment with a cost basis of \$1,686 and a net book value of \$878.

See accompanying notes to financial statements.



BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements

December 31, 2012

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 recorded as temporarily restricted until approved for designated purposes, at which time they are reflected in unrestricted net assets.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2012

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	4 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 2012 who served as Big Sister volunteers. These individuals contributed over 160,000 hours of service for the year ended December 31, 2012. 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 generally accepted accounting principles (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, 2012

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 2009 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, 2011, 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 13, 2013, 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, 2012

Note 3 - Investments

The following is a summary of investments and unrealized appreciation as of December 31, 2012:

	Cost	Fair Market Value	Unrealized Appreciation
Equity mutual funds	\$ 1,166,293	\$ 1,399,076	\$ 232,783
Fixed income mutual funds	848,070	874,169	26,099
Hard assets	482,835	543,197	60,362
Money market accounts	258,931	258,931	-
<b>Total investments</b>	<b>\$ 2,756,129</b>	<b>\$ 3,075,373</b>	<b>\$ 319,244</b>

Investments at December 31, 2012 are comprised of the following funds in the accompanying statement of financial position:

Invested operating funds	\$ 395,428
Endowment and related appreciation	978,991
Board designated	1,700,954
	<u>\$ 3,075,373</u>

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2012

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	\$ 60,167	\$ 434	\$ -	\$ 60,601
Net unrealized gains on investments	87,054	38,183	-	125,237
Net realized gains on investments	112,996	831	-	113,827
Investment management fees	<u>(21,770)</u>	<u>-</u>	<u>-</u>	<u>(21,770)</u>
Total return on investments	238,447	39,448	-	277,895
Investment returns designated for current operations	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>130,000</u>
Investment return in excess of amounts designated for current operations	<u>\$ 108,447</u>	<u>\$ 39,448</u>	<u>\$ -</u>	<u>\$ 147,895</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, 2012 was \$1,679,945.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2012

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, Hard assets, and Money Market Fixed Income Mutual Funds:* 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, 2012 follows:

Investments at value:	
Equity mutual funds	\$ 1,399,076
Fixed income mutual funds	874,169
Hard assets	543,197
Money market funds	258,931
	<hr/>
	\$ 3,075,373
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BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2012

Note 5 - Endowments

Changes in Endowment net assets for the year ended December 31, 2012 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,596,210	\$ 84,879	\$ 854,664	\$ 2,535,753
Investment return:				
Investment income	58,304	434	-	58,738
Realized gains	111,324	831	-	112,155
Unrealized gains	86,375	38,183	-	124,558
Total investment return	<u>256,003</u>	<u>39,448</u>	-	<u>295,451</u>
Investment management fees paid	(21,259)	-	-	(21,259)
Appropriation of endowment assets for expenditure	<u>(130,000)</u>	<u>-</u>	<u>-</u>	<u>(130,000)</u>
Endowment net assets, end of year	<u>\$ 1,700,954</u>	<u>\$ 124,327</u>	<u>\$ 854,664</u>	<u>\$ 2,679,945</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 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, 2012

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 2012, in accordance with the Association's investment policy, the Board of Directors voted to release \$130,000 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>\$ 398,039</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, 2012 is as follows:

Types of Goods and Services

Public relations	\$ 200,000
Program activities	13,060
Printing	4,520
Conferences and meetings	<u>948</u>
	<u>\$ 218,528</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, 2012

Note 8 - Pledges and Accounts Receivable

Pledges and accounts receivable at December 31, 2012 are due as follows. All amounts are due within one (1) year.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total unconditional promises to give	\$ 129,192	\$ 290,379	\$ -	\$ 419,571
Less allowance for uncollectible amounts	-	25,000	-	25,000
Net unconditional promises to give	<u>\$ 129,192</u>	<u>\$ 265,379</u>	<u>\$ -</u>	<u>\$ 394,571</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 2013. 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. As of December 31, 2012, 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 \$11,877 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, 2012:

Years ending December 31:

2013	<u>\$ 144,556</u>
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Occupancy expense, including rent, utilities, common area charges, and maintenance, was \$152,310 for the year ended December 31, 2012.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2012

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, 2012, the total amount of fees earned by the Association was \$25,000. 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, 2012, the Association received \$24,000 in distributions from the Foundation. These distributions are reflected as contributions in the accompanying statement of activities.

Note 12 - Retirement Plan

The Association 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.