

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

FINANCIAL STATEMENTS

DECEMBER 31, 2013



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 Auditor's 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, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 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.

Independent Auditor's 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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited Big Sister Association of Greater Boston, Inc.'s 2012 financial statements, and our report dated March 13, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Feeley & Driscoll, P.C.

March 5, 2014

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Financial Position

December 31, 2013
(with comparative totals as of December 31, 2012)

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Assets:					
Current assets:					
Cash and cash equivalents	\$ 546,083	\$ 500	\$ -	\$ 546,583	\$ 201,847
Pledges receivable, net of allowances of \$25,140 and \$25,000 at December 31, 2013 and 2012, respectively	160,073	17,141	-	177,214	209,610
Grants receivable	27,040	184,626	-	211,666	184,961
Investments	442,254	-	-	442,254	395,428
Prepaid expenses	19,278	-	-	19,278	25,924
Total current assets	1,194,728	202,267	-	1,396,995	1,017,770
Property and equipment:					
Office equipment	92,820	-	-	92,820	81,117
Less accumulated depreciation	37,895	-	-	37,895	16,583
	54,925	-	-	54,925	64,534
Other assets:					
Investments	1,862,725	179,568	854,664	2,896,957	2,679,945
Deposits	7,827	-	-	7,827	7,827
	1,870,552	179,568	854,664	2,904,784	2,687,772
Total assets	\$ 3,120,205	\$ 381,835	\$ 854,664	\$ 4,356,704	\$ 3,770,076
Liabilities and Net Assets:					
Current liabilities -					
Accounts payable, accrued expenses and other current liabilities	\$ 168,756	\$ -	\$ -	\$ 168,756	\$ 179,896
Net assets:					
Unrestricted:					
Operating	1,033,799	-	-	1,033,799	571,989
Property and equipment	54,925	-	-	54,925	64,534
Board designated - investment	1,862,725	-	-	1,862,725	1,700,954
Temporarily restricted	-	381,835	-	381,835	398,039
Permanently restricted	-	-	854,664	854,664	854,664
Total net assets	2,951,449	381,835	854,664	4,187,948	3,590,180
Total liabilities and net assets	\$ 3,120,205	\$ 381,835	\$ 854,664	\$ 4,356,704	\$ 3,770,076

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Activities

For the year ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OPERATING				
Operating revenue:				
Public support:				
Private charitable organizations and other grants and contributions	\$ 1,233,956	\$ 204,337	\$ -	\$ 1,438,293
Special events revenue, gross	1,530,148	4,000	-	1,534,148
Less costs of direct benefits to donors	277,347	-	-	277,347
Special events revenue, net	1,252,801	4,000	-	1,256,801
Other income from operating funds	380,094	-	-	380,094
Investment returns designated for current operations	130,000	-	-	130,000
Donated goods and services	109,646	-	-	109,646
Funds released from restriction for use in operations	279,782	(279,782)	-	-
Total operating revenue	<u>3,386,279</u>	<u>(71,445)</u>	<u>-</u>	<u>3,314,834</u>
Total operating revenue				<u>2,761,110</u>
Operating expenses:				
Program expenses:				
Community based mentoring	1,158,481	-	-	1,158,481
School based mentoring	437,901	-	-	437,901
Volunteer recruitment and community partnerships	371,784	-	-	371,784
Impact services	216,475	-	-	216,475
Total program expenses	<u>2,184,641</u>	<u>-</u>	<u>-</u>	<u>2,184,641</u>
Volunteer and program support	204,148	-	-	204,148
Fundraising	545,779	-	-	545,779
Total operating expenses	<u>2,934,568</u>	<u>-</u>	<u>-</u>	<u>2,934,568</u>
Net increase (decrease) in net assets from operations	451,711	(71,445)	-	380,266
NON-OPERATING				
Unrealized gains on investments	128,169	53,937	-	182,106
Investment income	14,827	454	-	15,281
Realized gains on investments	40,859	850	-	41,709
Investment management fees	(21,594)	-	-	(21,594)
Loss on disposal of property and equipment	-	-	-	(878)
Other income	-	-	-	9,223
Increase in net assets from non-operating activities	<u>162,261</u>	<u>55,241</u>	<u>-</u>	<u>217,502</u>
Change in net assets	613,972	(16,204)	-	597,768
Net assets, beginning of year	<u>2,337,477</u>	<u>398,039</u>	<u>854,664</u>	<u>3,590,180</u>
Net assets, end of year	<u>\$ 2,951,449</u>	<u>\$ 381,835</u>	<u>\$ 854,664</u>	<u>\$ 4,187,948</u>

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Functional Expenses

For the year ended December 31, 2013

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

	2013 Programs						Total	2012 Total
	Community Based Mentoring	School Based Mentoring	Volunteer Recruitment and Community Partnerships	Impact Services	Volunteer and Program Support	Fundraising		
Personnel expenses:								
Salaries	\$ 806,753	\$ 307,252	\$ 258,382	\$ 153,634	\$ 140,945	\$ 379,270	\$ 2,046,236	\$ 1,956,905
Payroll taxes	60,596	23,078	19,407	11,540	10,587	28,488	153,696	147,344
Employee benefits	46,709	17,789	14,960	8,895	8,160	21,959	118,472	151,017
Temporary help	-	3,120	4,080	-	2,352	-	9,552	23,841
Staff training and development	1,551	416	353	436	209	569	3,534	6,550
Worker's compensation	1,298	494	416	247	227	610	3,292	3,753
Total personnel expenses	916,907	352,149	297,598	174,752	162,480	430,896	2,334,782	2,289,410
Operating expenses:								
Occupancy expense	60,229	22,938	19,290	11,470	10,522	28,315	152,764	152,310
Technology services	39,639	15,859	10,879	6,558	5,935	20,495	99,365	84,958
Professional fees	23,179	8,581	7,216	4,291	3,937	10,592	57,796	60,551
Public relations/recruitment events	20,120	7,663	11,431	3,831	3,766	9,710	56,521	203,839
Travel	13,435	7,150	2,205	3,027	6,160	729	32,706	29,254
Insurance	11,836	4,508	3,791	2,254	2,068	5,565	30,022	26,225
Program activities	21,850	644	1,950	1,088	-	-	25,532	26,145
Printing and publications	8,991	3,369	3,759	1,685	1,546	4,236	23,586	30,086
Conferences and meetings	8,451	2,147	2,303	1,073	985	4,145	19,104	20,989
Payment to national affiliate	6,381	2,430	2,044	1,215	1,115	3,000	16,185	13,995
Supplies	5,969	2,273	1,912	1,137	1,140	2,806	15,237	19,347
Fundraising expense	-	-	-	-	-	14,414	14,414	11,255
Equipment rent and maintenance	3,903	1,487	1,250	743	682	1,835	9,900	9,091
Telephone	3,842	1,463	1,230	732	671	1,806	9,744	12,340
Postage and shipping	3,213	1,224	1,029	612	1,266	1,983	9,327	13,369
Employment advertising	1,354	516	434	258	237	636	3,435	3,175
Non-cap equipment	667	254	733	127	149	368	2,298	3,219
Internet and e-mail	461	176	148	88	81	217	1,171	961
Research and evaluation	-	-	-	-	-	-	-	(6,527)
Miscellaneous expense	(349)	(130)	(109)	(66)	(60)	81	(633)	3,860
Total expense before depreciation	1,150,078	434,701	369,093	214,875	202,680	541,829	2,913,256	3,007,852
Depreciation	8,403	3,200	2,691	1,600	1,468	3,950	21,312	27,940
Total operating expenses	\$ 1,158,481	\$ 437,901	\$ 371,784	\$ 216,475	\$ 204,148	\$ 545,779	\$ 2,934,568	\$ 3,035,792

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Statement of Cash Flows

For the year ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 597,768	\$ (118,381)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	21,312	27,940
Donated securities	(26,426)	-
Loss on disposal of property and equipment	-	878
Unrealized gains on investments	(182,106)	(125,237)
Realized gain on sale of investments	(41,709)	(13,827)
Investment income	(15,264)	(30,601)
Investment management fees paid	21,667	21,259
Increase (decrease) in cash resulting from:		
Pledges and grants receivable	5,691	206,989
Prepaid expenses	6,646	4,947
Accounts payable, accrued expenses and other current liabilities	(11,140)	5,970
Net cash provided by (used in) operating activities	<u>376,439</u>	<u>(20,063)</u>
Cash flows from investing activities:		
Net (purchases of) proceeds from sales of short-term investments	(20,000)	85,502
Purchases of property and equipment	(11,703)	(44,513)
Net cash (used in) provided by investing activities	<u>(31,703)</u>	<u>40,989</u>
Net increase in cash and cash equivalents	344,736	20,926
Cash and cash equivalents, beginning of year	<u>201,847</u>	<u>180,921</u>
Cash and cash equivalents, end of year	<u>\$ 546,583</u>	<u>\$ 201,847</u>

See accompanying notes to financial statements.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements

December 31, 2013

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, 2013

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 2013 who served as Big Sister volunteers. These individuals contributed over 150,000 hours of service for the year ended December 31, 2013. 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 (see Note 9).

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, 2013

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 2010 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, 2012, 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, 2014, which is the date the financial statements were available for issuance.

Note 3 - Concentration of Credit Risk

The Association has a potential concentration of credit risk in that it maintains deposits with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount was \$250,000 for interest-bearing accounts, which was applied per depositor, per insured bank for each account ownership category. Noninterest-bearing accounts were provided unlimited insurance coverage through December 31, 2012. Effective January 1, 2013, noninterest-bearing accounts are no longer insured separately from depositors' other accounts at the same bank. Instead, noninterest-bearing accounts are added to any of a depositor's other accounts in the applicable ownership category, and the aggregate balance insured up to the amount of \$250,000, per depositor at each bank. As of December 31, 2013, the Association had \$315,946 in excess of FDIC limits.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2013

Note 4 - Pledges Receivable

Pledges receivable at December 31, 2013 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	\$ 181,071	\$ 21,283	\$ -	\$ 202,354
Less allowance for uncollectible amounts	<u>20,998</u>	<u>4,142</u>	<u>-</u>	<u>25,140</u>
Net unconditional promises to give	<u>\$ 160,073</u>	<u>\$ 17,141</u>	<u>\$ -</u>	<u>\$ 177,214</u>

Note 5 - Investments

The following is a summary of investments and unrealized appreciation as of December 31, 2013:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
Equity mutual funds	\$ 1,572,941	\$ 2,033,064	\$ 460,123
Fixed income mutual funds	685,224	757,028	71,804
Hard assets	180,560	159,259	(21,301)
Money market funds	<u>389,860</u>	<u>389,860</u>	<u>-</u>
Total investments	<u>\$ 2,828,585</u>	<u>\$ 3,339,211</u>	<u>\$ 510,626</u>

Investments at December 31, 2013 are comprised of the following funds in the accompanying statement of financial position:

Invested operating funds	\$ 442,254
Endowment and related appreciation	1,034,232
Board designated	<u>1,862,725</u>
	<u>\$ 3,339,211</u>

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2013

Note 5 - 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	\$ 64,810	\$ 454	\$ -	\$ 65,264
Net unrealized gains on investments	128,169	53,937	-	182,106
Net realized gains on investments	120,859	850	-	121,709
Investment management Fees	<u>(21,594)</u>	<u>-</u>	<u>-</u>	<u>(21,594)</u>
Total return on investments	292,244	55,241	-	347,485
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>\$ 162,244</u>	<u>\$ 55,241</u>	<u>\$ -</u>	<u>\$ 217,485</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, 2013 was \$1,896,957.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2013

Note 6 - Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three (3) levels of the fair value hierarchy under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Mutual funds, Money Market fund, 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.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2013

Note 6 - Fair Value Measurements - Continued

All of the Association's investments are recorded at Level 1 and that valuation on a recurring basis for the year ended December 31, 2013 follows:

Investments at value:	
Equity mutual funds	\$ 2,033,064
Fixed income mutual funds	757,028
Hard assets	159,259
Money market funds	<u>389,860</u>
	<u>\$ 3,339,211</u>

Note 7 - Endowments

Changes in Endowment net assets for the year ended December 31, 2013 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,700,954	\$ 124,327	\$ 854,664	\$ 2,679,945
Investment return:				
Investment income	63,897	454	-	64,351
Realized gains	119,698	850	-	120,548
Unrealized gains	<u>129,844</u>	<u>53,937</u>	-	<u>183,781</u>
Total investment return	313,439	55,241	-	368,680
Investment management fees paid	(21,668)	-	-	(21,668)
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>\$ 1,862,725</u>	<u>\$ 179,568</u>	<u>\$ 854,664</u>	<u>\$ 2,896,957</u>

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2013

Note 7 - Endowments - Continued

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 (the "Board") 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.

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 2013, 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 8 - Permanently and Temporarily Restricted Net Assets

Permanently restricted net assets were available for use as follows -

Future operations	<u>\$ 854,664</u>
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Temporarily restricted net assets were available for use as follows -

Future operations	<u>\$ 381,835</u>
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BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2013

Note 9 - 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, 2013 is as follows:

Types of Goods and Services:

Public relations	\$	50,000
Program activities		27,000
Printing		17,850
Conferences and meetings		14,334
Travel		462
		<hr/>
	\$	<u>109,646</u>

These amounts are recorded as donated goods and services in both revenues and operating expenses in the accompanying financial statements. The Association also received donated advertising in various publications during the year ended December 31, 2013 valued at \$478,237 which is the fair value of the services rendered. These services did not meet the recognition criteria under GAAP in that the services would not typically be purchased if not contributed. Therefore these amounts were not recognized in revenues and operating expenses in the accompanying financial statements for the year ended December 31, 2013.

Note 10 - 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 2014. Borrowings are due on demand and interest is payable monthly at the bank's base lending rate plus one-half percent (0.50%). The line of credit is subject to certain financial reporting covenants. As of December 31, 2013, there was no outstanding balance under this agreement. The line of credit is secured by a portion of the investments of the Association.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2013

Note 11 - Commitments

The Association leases its office space under an operating lease agreement through June 2017. The minimum monthly expense ranges from \$12,216 to \$15,609. 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, 2013:

Years ending December 31:

2014	\$	162,880
2015		181,204
2016		185,276
2017		<u>93,656</u>
	\$	<u>623,016</u>

Occupancy expense, including rent, utilities, common area charges, and maintenance, was \$152,764 for the year ended December 31, 2013.

Note 12 - 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, 2013, the total amount of fees earned by the Association was \$75,000. 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, 2013, the Association received \$305,094 in distributions from the Foundation. These distributions are reflected as contributions in the accompanying statement of activities.

BIG SISTER ASSOCIATION OF GREATER BOSTON, INC.

Notes to Financial Statements - Continued

December 31, 2013

Note 13 - Retirement Plan

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