



BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY

Financial Statements

December 31, 2012 and 2011

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
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December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Big Brothers Big Sisters of Gallatin County

We have audited the accompanying financial statements of Big Brothers Big Sisters of Gallatin County (a nonprofit organization) ("the Organization"), 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.

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 of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Gallatin County 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.

Change in Accounting Policy

As described in Note 1 to the financial statements, the Organization changed its capitalization policy of fixed assets in 2012. Our opinion is not modified with respect to that matter.

Other Matter

The financial statements of Big Brothers Big Sisters of Gallatin County as of December 31, 2011, were audited by other auditors whose report dated July 11, 2012, expressed an unmodified opinion on those statements.

Rudd & Company, PLLC

Bozeman, Montana

April 30, 2013

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statements of Financial Position
As of December 31,

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 229,074	\$ 193,899
Promises to give (net)	9,933	14,480
Prepaid expenses	<u>11,309</u>	<u>11,118</u>
Total current assets	<u>250,316</u>	<u>219,497</u>
Property and Equipment		
Land	10,000	10,000
Equipment	141,871	122,243
Buildings and improvements	<u>90,972</u>	<u>90,972</u>
	242,843	223,215
Less: Accumulated depreciation	<u>(190,319)</u>	<u>(182,284)</u>
Property and equipment (net)	<u>52,524</u>	<u>40,931</u>
Other Assets		
Endowment investments	<u>128,280</u>	<u>114,136</u>
Total noncurrent assets	<u>128,280</u>	<u>155,067</u>
Total Assets	<u>\$ 431,120</u>	<u>\$ 374,564</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statements of Financial Position (continued)
As of December 31,

	<u>2012</u>	<u>2011</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 2,776	\$ 1,368
Accrued payroll liabilities	12,104	4,872
Accrued vacation	11,370	9,267
Deferred revenue	-	1,050
Total current liabilities	<u>26,250</u>	<u>16,557</u>
Net Assets		
Unrestricted	273,590	220,371
Temporarily restricted	28,067	34,423
Permanently restricted	103,213	103,213
	<u>404,870</u>	<u>358,007</u>
Total Liabilities and Net Assets	<u>\$ 431,120</u>	<u>\$ 374,564</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Activities
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Grants	\$ 64,603	\$ -	\$ -	\$ 64,603
Contributions				
Local contributions	152,516	-	-	152,516
In-kind support	42,561	-	-	42,561
Net revenue from contributions	195,077	-	-	195,077
Special event revenue				
Special event revenue	171,053	3,000	-	174,053
Less: costs of direct benefits to donors	(66,602)	-	-	(66,602)
Net revenue from special events	104,451	3,000	-	107,451
Other income				
Investment income	1,351	14,144	-	15,495
Total revenue and support	365,482	17,144	-	382,626
Net Assets Released from Restriction	23,500	(23,500)	-	-
Expenses:				
Program	264,242	-	-	264,242
Fundraising	51,607	-	-	51,607
Administrative	19,914	-	-	19,914
Total operating expenses	335,763	-	-	335,763
Change in net assets	53,219	(6,356)	-	46,863
Net assets, beginning of year	220,371	34,423	103,213	358,007
Net assets, end of year	\$ 273,590	\$ 28,067	\$ 103,213	\$ 404,870

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Activities
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Grants	\$ 47,408	\$ -	\$ -	\$ 47,408
Contributions				
Local contributions	97,007	23,500	-	120,507
In-kind support	48,928	-	-	48,928
Net revenue from contributions	145,935	23,500	-	169,435
Special event revenue				
Special event revenue	160,688	-	-	160,688
Less: costs of direct benefits to donors	(60,045)	-	-	(60,045)
Net revenue from special events	100,643	-	-	100,643
Other income				
Investment income (loss)	1,811	(1,851)	-	(40)
Insurance adjustment	18,651	-	-	18,651
Insurance proceeds	5,722	-	-	5,722
Total other income	26,184	(1,851)	-	24,333
Total revenue and support	320,170	21,649	-	341,819
Net Assets Released from Restriction	17,800	(17,800)	-	-
Expenses:				
Program	238,470	-	-	238,470
Fundraising	52,475	-	-	52,475
Administrative	18,186	-	-	18,186
Total operating expenses	309,131	-	-	309,131
Change in net assets	28,839	3,849	-	32,688
Net assets, beginning of year	191,532	30,574	103,213	325,319
Net assets, end of year	\$ 220,371	\$ 34,423	\$ 103,213	\$ 358,007

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Functional Expenses
For the Year Ended December 31, 2012

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Advertising	\$ 8,348	\$ 8,347	\$ -	\$ 16,695
Bad debt	-	1,900	50	1,950
Bank charges	-	3,089	772	3,861
Criminal records check	1,447	-	-	1,447
Depreciation	6,830	402	803	8,035
Dues and subscriptions	8,213	456	456	9,125
Insurance	8,475	499	996	9,970
Match activities	6,067	-	-	6,067
Office supplies	6,242	367	734	7,343
Personnel	179,670	29,293	10,462	219,425
Postage	970	485	970	2,425
Professional fees	16,753	985	1,971	19,709
Rent	1,350	1,350	-	2,700
Repairs and maintenance	1,261	74	150	1,485
Software	3,516	3,151	652	7,319
Special events - other	884	-	-	884
Telephone and internet	3,801	224	447	4,472
Training and meetings	5,403	338	1,013	6,754
Travel	2,737	513	171	3,421
Utilities	2,275	134	267	2,676
	<u>\$ 264,242</u>	<u>\$ 51,607</u>	<u>\$ 19,914</u>	<u>\$ 335,763</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Functional Expenses
For the Year Ended December 31, 2011

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Advertising	\$ 9,119	\$ 6,079	\$ -	\$ 15,198
Bad debt	75	60	15	150
Criminal records check	1,590	-	-	1,590
Depreciation	6,404	377	753	7,534
Dues and subscriptions	9,171	510	510	10,191
Special events - other	1,234	4,936	-	6,170
Insurance	11,309	665	1,330	13,304
Investment and bank fees	-	3,776	666	4,442
Match activities	13,765	-	-	13,765
Office supplies	6,880	405	809	8,094
Personnel	148,129	30,001	9,375	187,505
Postage	1,040	1,386	1,040	3,466
Professional fees	11,017	689	2,066	13,772
Repairs and maintenance	3,841	789	210	4,840
Software	3,914	1,677	-	5,591
Telephone and internet	4,348	256	512	5,116
Training and meetings	3,003	376	376	3,755
Travel	1,303	347	87	1,737
Utilities	2,328	146	437	2,911
	<u>\$ 238,470</u>	<u>\$ 52,475</u>	<u>\$ 18,186</u>	<u>\$ 309,131</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statements of Cash Flows
For the Years Ended December 31,

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 46,863	\$ 32,688
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	8,035	7,534
Unrealized loss (gain) on investments	(11,940)	3,950
Reinvested interest and dividends, net of fees	(1,187)	(2,099)
Allowance for doubtful accounts	1,900	-
Decrease (increase) in operating assets		
Promises to give	2,647	9,221
Prepaid expenses	(191)	2,379
Increase (decrease) in operating liabilities		
Accounts payable	1,408	(4,430)
Accrued liabilities	9,335	(2,115)
Deferred revenue	(1,050)	1,050
Net cash provided by operating activities	<u>55,820</u>	<u>48,178</u>
Cash Flows from Investing Activities		
Purchases of equipment	(19,628)	-
Purchase of investments	(15,247)	-
Proceeds from investment sales	14,230	-
Net cash used by investing activities	<u>(20,645)</u>	<u>-</u>
Net Change in Cash	35,175	48,178
Cash at Beginning of Year	<u>193,899</u>	<u>145,721</u>
Cash at End of Year	<u>\$ 229,074</u>	<u>\$ 193,899</u>
Supplemental information of non-cash activities:		
In-kind support	<u>\$ 42,561</u>	<u>\$ 48,928</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. Activities and Significant Accounting Policies

Nature of Activities

Big Brothers Big Sisters of Gallatin County (the “Organization”) is a charitable organization that provides needed support to children in the local community. The Organization has two satellite offices in Ennis, and West Yellowstone, Montana and a branch office in Big Sky, Montana. Big Brothers Big Sisters of Gallatin County is an agency of the national organization, Big Brothers Big Sisters of America, to which it pays franchise and management fees.

The Organization’s mission is to provide children facing adversity with strong and enduring, professionally supported 1-to-1 relationships that change their lives for the better, forever. The goal of Big Brothers Big Sisters of Gallatin County is that all children achieve success in life. The Organization matches youth in Gallatin and Madison County, aged 5 to 15 years, with carefully screened adult mentors. Each of these “match” relationships are supported by professional staff, who are experts at enrolling and supporting the volunteers, children, and families in the program. These “matches” establish trusting friendships which strengthen the many assets the children need to make positive choices and discourage problem behaviors. They spend time together outside of school, participating in activities they both enjoy. Revenues of the Organization are primarily earned from contributions, grants and special events.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as codified by the Financial Accounting Standards Board.

Classification of Net Assets

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes or programs.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that permanently restrict the use of the assets to be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organization to use income earned on related investments for general or specific purposes.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. Activities and Significant Accounting Policies (continued)

Classification of Net Assets (continued)

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions of net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unrestricted promises to give that are scheduled to be received after one year are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the cash is received and any purpose restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of contribution.

It is the policy of the Organization to report gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support.

Special Events

Special events income includes amounts received from participants in exchange transactions related to special events.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Policy

During 2012, the Organization changed its capitalization policy. In prior years, the Organization capitalized all assets with a value exceeding \$500 and during 2012 the Organization prospectively changed this policy to capitalize all assets with a value greater than \$1,000. This change in policy did not affect net assets as of December 31, 2011.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year financial statement presentation. No changes in net assets occurred due to these reclassifications.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. Activities and Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through April 30, 2013, the date which the financial statements were available for issue.

Cash and Cash Equivalents

The Organization considers highly liquid investments with original maturities of three months or less to be cash equivalents, unless donor-imposed restrictions limit their use to long-term purposes. For the years ended December 31, 2012 and 2011, all cash held by the Organization was within the federally insured limits.

Promises to Give

Promises to give are recorded and revenue is recognized at the time unconditional promises to give are made. These balances are stated at face value. Promises to give are reviewed periodically and management estimates the collectability of those accounts and records an allowance for uncollectable accounts as necessary. Pledged payments from promises to give as of year-end are scheduled to be received the following year. For the years ended December 31, 2012 and 2011, the allowance for promises to give was \$1,900 and \$0, respectively.

In-Kind Support

The Organization records various types of in-kind support including contributed facilities, professional services, and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by corresponding amounts reflected in expenses.

Additionally, the Organization receives a significant amount of contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Endowment Investments

The Organization maintains most of its investments in an endowment account managed by outside parties. Interest-bearing deposits, equity securities, and debt securities are carried at fair value with the annual change in fair value recorded as investment income in the statement of activities.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs benefited.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. Activities and Significant Accounting Policies (continued)

Endowment Funds Held by Others

The Montana Community Foundation has endowment funds held on behalf of Big Brothers Big Sisters of Gallatin County. The amounts of these endowment funds as of December 31, 2012 and 2011 were \$27,295 and \$25,973, respectively. These amounts do not qualify to be recognized on the Organization's statement of financial position, but may provide an income stream in perpetuity.

Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach. GAAP has established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

Level 1 – Quoted market prices available through public exchange venues for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, 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 for the asset or liability due to little or no market activity at the measurement date.

Mutual funds are valued at the fair value of shares held at year end.

Property and Equipment

Purchased property and equipment are carried at their historical cost. Donations of property and equipment are recorded at the assets' estimated fair value at the time of donation. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years. The costs of acquiring assets with values exceeding \$1,000 are capitalized. Normal repair and maintenance costs are expensed as incurred.

Advertising

The Organization expenses all advertising costs as they occur.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. Activities and Significant Accounting Policies (continued)

Income Taxes

The activities of the Organization are generally exempt from Federal and State income taxes under Internal Revenue Code §501(c)(3) and the Organization has been ruled not to be a private foundation. The Organization's tax returns for the years prior to 2009 are no longer subject to examination.

2. Investments

Investments are carried at fair value and unrealized gains and losses are reflected in the statement of activities. The fair value of investment holdings as of December 31, 2012 and 2011 are as follows:

	Fair Value (Level 1)	
	<u>2012</u>	<u>2011</u>
Marketable debt and equity securities		
Mutual funds - fixed income:		
Small blend fund	\$ 22,542	\$ 9,217
Mid-cap growth fund	16,038	4,871
Inflation protected bond fund	15,207	10,152
Large value fund	14,171	14,012
Large growth fund	13,227	10,667
High yield bond fund	9,339	5,605
Intermediate-term bond fund	7,554	5,179
Mid-cap blend fund	6,673	5,807
Mid-cap value fund	5,657	6,772
World allocation fund	5,039	3,142
Foreign large blend fund	4,115	9,284
Health care REIT fund	2,575	-
Diversified emerging markets fund	2,320	1,933
Natural resources fund	2,094	2,146
Large blend fund	-	12,848
Short-term bond fund	-	9,486
Real estate fund	-	2,437
Total mutual funds - fixed income	<u>126,551</u>	<u>113,558</u>
Other investments:		
Bank Insured Deposit Program	<u>1,729</u>	<u>578</u>
Totals	<u>\$ 128,280</u>	<u>\$ 114,136</u>

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

2. Investments (continued)

Components of investment income and loss for the years ended December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends, net expenses	\$ 3,003	\$ 5,004
Unrealized gain (loss)	11,940	(3,950)
Capital gain	836	-
Distribution from MT Community endowment	997	269
Less: Investment expenses	<u>(1,281)</u>	<u>(1,363)</u>
Total investment income	<u>\$ 15,495</u>	<u>\$ (40)</u>

3. Restricted Net Assets

Temporarily restricted net assets consist of net assets restricted by donors. Temporarily restricted net assets as of December 31, 2012 and 2011 are restricted as follows:

	<u>2012</u>	<u>2011</u>
Special event contributions	\$ 3,000	\$ 23,500
Accumulated endowment income	<u>25,067</u>	<u>10,923</u>
Total temporarily restricted net assets	<u>\$ 28,067</u>	<u>\$ 34,423</u>

Permanently restricted net assets consist of an endowment for the benefit of the Organization's programs. Permanently restricted net assets as of December 31, 2012 and 2011 were \$103,213.

4. Endowment

The Organization's endowment consists of individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

4. Endowment (continued)

Interpretation of Relevant Law

The Board of Directors of has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

Changes in net asset composition by type of fund for the year ended December 31, 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 10,923	\$ 103,213	\$ 114,136
Investment return:			
Interest and dividends, net of expenses	1,368	-	1,368
Realized gains	836	-	836
Net appreciation	11,940	-	11,940
Endowment net assets, end of year	<u>\$ 25,067</u>	<u>\$ 103,213</u>	<u>\$ 128,280</u>

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

4. Endowment (continued)

Changes in net asset composition by type of fund for the year ended December 31, 2011 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 12,774	\$ 103,213	\$ 115,987
Investment return:			
Interest and dividends, net of expenses	2,131	-	2,131
Realized gains	268	-	268
Net appreciation (depreciation)	(4,250)	-	(4,250)
Endowment net assets, end of year	<u>\$ 10,923</u>	<u>\$ 103,213</u>	<u>\$ 114,136</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2012 and 2011.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the Organization expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow endowment assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year to support operations, after consideration of the seven factors listed above, an amount no more than the accumulated investment interest and dividends not previously appropriated. For the years ended, December 31, 2012 and 2011, the Organization did not appropriate any funds.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

5. Retirement Plan

In 2012, the Organization made changes to their retirement plan. For the year ended December 31, 2012, the Organization provided a SIMPLE IRA retirement plan. The Organization makes a matching contribution dollar for dollar up to 3% of each eligible employee's wages to the plan. To be eligible to participate in the plan, employees must receive at least \$1,000 in compensation during any two prior years and are reasonably expected to make at least \$500 in compensation during the current year.

For the year ended December 31, 2011, the Organization provided a 403(b) retirement plan. All employees that had earned \$150 or more per year for three years were eligible to participate and could contribute an amount not exceeding \$6,000 of pre-tax dollars to the plan. The Organization contributed 6% of an employee's wage or salary for all participating employees.

The Organization's contributions to the retirement plans for the years ended December 31, 2012 and 2011 were \$3,262 and \$6,096, respectively.

6. In-Kind Support

During the years ended December 31, 2012 and 2011, the Organization recognized in-kind support as follows:

	<u>2012</u>	<u>2011</u>
Gala	\$ 2,093	\$ 7,844
Celebrity golf	180	135
Bowl for kids sake	6,661	6,831
Gift wrap	315	-
Other events	1,431	5,259
Match activities	4,060	12,422
Advertising	12,992	12,559
Equipment repairs and maintenance	529	53
Operations and supplies	7,900	125
Professional services	3,700	3,700
Storage	2,700	-
Total	<u>\$ 42,561</u>	<u>\$ 48,928</u>