

Big Brothers Big Sisters of Greater Charlotte

Financial Statements

For the Year Ended June 30, 2011

With Independent Auditors' Report

Big Brothers Big Sisters of Greater Charlotte

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Independent Auditors' Report

To the Board of Directors
Big Brothers Big Sisters of Greater Charlotte
Charlotte, North Carolina

We have audited the accompanying statement of financial position of Big Brothers Big Sisters of Greater Charlotte (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Big Brothers Big Sisters of Greater Charlotte as of June 30, 2010, were audited by another auditor whose report dated October 29, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Greater Charlotte as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 11 and 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams, McKinzie & Thompson PLLC

Williams, McKinzie & Thompson PLLC
November 1, 2011

Big Brothers Big Sisters of Greater Charlotte
Statement of Financial Position
June 30, 2011

ASSETS

Current assets:

Cash	\$ 664,822
Unconditional promises to give - current portion	481,658
Prepaid expenses and other	<u>27,657</u>

Total current assets	<u>1,174,137</u>
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Property and equipment, net	<u>610,391</u>
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Unconditional promises to give - long term portion	88,488
Deferred finance cost, net of accumulated amortization of \$213	<u>4,039</u>

Total assets	<u><u>\$ 1,877,055</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 13,927
Accrued expenses, including payroll	93,714
Current portion of mortgage payable	<u>23,501</u>

Total current liabilities	<u>131,142</u>
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Mortgage payable, less current portion	<u>470,804</u>
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Net Assets:

Unrestricted	324,478
Temporarily restricted	<u>950,631</u>

Total net assets	<u>1,275,109</u>
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Total liabilities and net assets	<u><u>\$ 1,877,055</u></u>
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Big Brothers Big Sisters of Greater Charlotte
Statement of Activities
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Support and Other Revenues			
Grants	\$ 552,699	\$ -	\$ 552,699
United Way	3,650	271,293	274,943
Contributions	291,197	-	291,197
Special events	279,927	-	279,927
Rental income and other	32,938	-	32,938
Net assets released from restriction:			
Satisfaction of program or timing restrictions	455,610	(455,610)	-
	<u>1,616,021</u>	<u>(184,317)</u>	<u>1,431,704</u>
Expenses			
Program	1,164,859	-	1,164,859
General and administrative	93,380	-	93,380
Fundraising	196,685	-	196,685
	<u>1,454,924</u>	<u>-</u>	<u>1,454,924</u>
Increase in Net Assets	161,097	(184,317)	(23,220)
Net Assets, Beginning of Year	<u>618,991</u>	<u>679,338</u>	<u>1,298,329</u>
Net Assets, End of Year	<u>\$ 780,088</u>	<u>\$ 495,021</u>	<u>\$ 1,275,109</u>

Big Brothers Big Sisters of Greater Charlotte
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash flows from operating activities:	
Decrease in net assets	\$ (23,220)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation and amortization	33,099
Net Change in:	
Unconditional promises to give	(16,353)
Prepaid expenses and other	(6,945)
Accounts payable and accrued expenses	<u>(3,760)</u>
Net cash used in operating activities	<u>(17,179)</u>
Cash flows from investing activities:	
Purchase of equipment	<u>(2,203)</u>
Net cash used by investing activities	<u>(2,203)</u>
Cash flows from financing activities:	
Proceeds from mortgage loan	500,000
Payments on mortgage loan	<u>(511,642)</u>
Net cash used by financing activities	<u>(11,642)</u>
Net decrease in cash	(31,024)
Cash at beginning of year	<u>695,846</u>
Cash at end of year	<u><u>\$ 664,822</u></u>
Supplemental Information	
Cash paid for interest	<u><u>\$ 28,714</u></u>

Big Brothers Big Sisters of Greater Charlotte
Statement of Functional Expenses
For the Year Ended June 30, 2011

	Program	General and Administrative	Fundraising	Total
Salaries	\$ 719,816	\$ 63,781	\$ 127,562	\$ 911,159
Benefits	62,506	5,539	11,077	79,122
Payroll taxes	80,540	7,136	14,273	101,949
Total	862,862	76,456	152,912	1,092,230
Professional fees	61,665	2,663	17,241	81,569
Occupancy	57,700	2,662	6,189	66,551
Depreciation	28,697	1,324	3,078	33,099
Office	26,363	926	2,154	29,443
Interest	24,895	1,149	2,670	28,714
Insurance	24,523	5,993	-	30,516
Conference and training	15,681	723	1,682	18,086
Telephone	14,295	660	1,533	16,488
Travel	14,161	653	1,519	16,333
Dues	13,052	9	4	13,065
Background checks	11,636	-	-	11,636
Fundraising events	4,812	-	7,436	12,248
Scholarships and grants	4,248	155	232	4,635
Miscellaneous	269	7	35	311
Total expenses	\$ 1,164,859	\$ 93,380	\$ 196,685	\$ 1,454,924

Big Brothers Big Sisters of Greater Charlotte
Notes to Financial Statements
Year Ended June 30, 2011

Note 1 – Organization and Nature of Business

Big Brothers Big Sisters of Greater Charlotte (the “Organization”) provides adult friendship and guidance to children between the ages of five and eighteen who live in single-parent families. The Organization is a member agency of United Way of Central Carolinas, Inc. (“United Way”) and receives a portion of its support in the form of allocations from United Way.

Note 2 – Summary of Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting. The organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income Taxes

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no income taxes have been provided in the accompanying financial statements.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depended on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash

The Organization maintains three bank accounts at one financial institution covered by the FDIC. At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit. Management monitors the financial stability of the institution and doesn't consider this a significant credit risk at this time.

Unconditional Promises to Give

Unconditional promises to give consist of pledges from individuals, allocations and designations from United Way and grants from various organizations.

Big Brothers Big Sisters of Greater Charlotte
Notes to Financial Statements
Year Ended June 30, 2011

Note 2 – Summary of Accounting Policies (continued)

Furniture, Fixtures and Equipment

Purchased fixed assets are recorded at cost and donated assets are recorded at their fair market value at the date of the gift. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Maintenance, repair costs and minor replacements are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is reflected in current operations. The Organization capitalizes expenditures for furniture, fixtures and equipment over \$500.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Financing Cost

Financing cost incurred in connection with the refinancing of existing long term debt is deferred and amortized over the life of the loan. Accumulated amortization at June 30, 2011 is \$213.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting activities.

Note 3 – Furniture, Fixtures and Equipment

Furniture, fixtures and equipment as of June 30, 2011 is summarized as follows:

	\$ 627,032
Furniture, fixtures and office equipment	38,927
Computer equipment	41,247
	<u>707,206</u>
Less accumulated depreciation	(86,815)
	<u><u>\$ 620,391</u></u>

Big Brothers Big Sisters of Greater Charlotte
Notes to Financial Statements
Year Ended June 30, 2011

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 consist of funds for activities in subsequent years as follows:

Jill Bosse funds	\$ 210,047
United Way	271,293
Duke Endowment	<u>13,681</u>
	<u>\$ 495,021</u>

Note 5 – Retirement plan

The Organization has a defined contribution plan for the benefit of its employees under Section 403(b) of the Internal Revenue Code. The plan covers substantially all employees over the age of twenty-one. Eligible employees may make tax deferred contributions after they have completed three months of service. The Organization may also make an additional matching contribution at its discretion. Employees that have completed at least two years of service are eligible for employer matching contributions. There were no matching contributions by the Organization for fiscal year 2011.

Note 6 – Donated Services

Contributions of services are reflected in the financial statements at the fair value of the services rendered. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No service contributions met the criteria for recording for the year ended June 30, 2011; in addition, management estimates the value of volunteer time to be approximately \$4,221,847.

Note 7 – Land Lease

The Organization assumed an existing land lease in conjunction with the purchase of its office in January, 2009. The lease automatically renews every five years unless terminated by the Organization. The next scheduled renewal is January, 2015. The rent escalates at each renewal date. The current rent is \$1,392 per month and will increase to \$1,508 in January, 2015.

Big Brothers Big Sisters of Greater Charlotte
Notes to Financial Statements
Year Ended June 30, 2011

Note 7 – Land Lease (continued)

Future minimum lease payments, for the next five years, at June 30, 2011 are as follows:

2012	\$ 16,704
2013	16,704
2014	16,704
2015	17,400
2016	18,096
	<u>\$ 85,608</u>

Note 8 – Mortgage Payable

In March 2011, the Organization obtained a mortgage in the amount of \$500,000 in the refinancing of its outstanding mortgage against its office building. The loan is collateralized by a first leasehold on the building located at 3801 E. Independence Boulevard, Charlotte, North Carolina, an assignment for all rents received on the property, and an assignment of the current ground lease. The loan calls for monthly payments of \$3,974, including interest at 5%, through March 30, 2016, at which time a balloon payment of all interest and remaining principal will be due.

Loan Balance at June 30, 2011	\$ 494,305
Current portion	<u>(23,501)</u>
Non-current balance	<u>\$ 470,804</u>

Future minimum payments for the fiscal year ended June 30 for the non-current portion of the loan are as follows:

2013	\$ 24,704
2014	25,968
2015	27,297
2016	392,835

Note 9 – Unconditional Promises to Give

Unconditional promises to give due in one year or less are recognized at net realizable value. Amounts due in more than one year are recognized at fair value, using a discount rate of 5%.

Big Brothers Big Sisters of Greater Charlotte
Notes to Financial Statements
Year Ended June 30, 2011

Note 9 – Unconditional Promises to Give (continued)

Unconditional promises to give:

Less than one year	\$ 481,658
One to three years	99,134
Discount	<u>(10,646)</u>
Net	<u><u>\$ 570,146</u></u>

The Organization also has conditional pledge receivables of approximately \$30,000 based on corporate matching programs. As the donors pay their pledge, certain corporations will match the donors' pledge amount.

Note 10 – Subsequent Events

Management has evaluated subsequent events through November 1, 2011, the date which the financial statements were available to be issued.

**Big Brothers Big Sisters of Greater Charlotte
Supplemental Information
Comparative Schedule of Assets, Liabilities and Net Assets
Year Ended June 30, 2011**

ASSETS	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 664,822	\$ 695,846
Unconditional promises to give	481,658	553,793
Prepaid expenses and other	<u>27,657</u>	<u>24,964</u>
Total current assets	<u>1,174,137</u>	<u>1,274,603</u>
Property and equipment, net	<u>610,391</u>	<u>641,074</u>
Unconditional promises to give - long term portion	88,488	-
Deferred finance cost, net of accumulated amortization of \$213	<u>4,039</u>	<u>-</u>
Total assets	<u><u>\$ 1,877,055</u></u>	<u><u>\$ 1,915,677</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 13,927	\$ 11,849
Accrued payroll and employee benefits	93,714	99,552
Current portion of mortgage payable	<u>23,501</u>	<u>9,906</u>
Total current liabilities	<u>131,142</u>	<u>121,307</u>
Mortgage payable, less current portion	<u>470,804</u>	<u>496,041</u>
Net Assets:		
Unrestricted	324,478	618,991
Temporarily restricted	<u>950,631</u>	<u>679,338</u>
Total net assets	<u>1,275,109</u>	<u>1,298,329</u>
Total liabilities and net assets	<u><u>\$ 1,877,055</u></u>	<u><u>\$ 1,915,677</u></u>

**Big Brothers Big Sisters of Greater Charlotte
Supplemental Information
Comparative Schedule of Revenues and Expenses
For the Years Ended June, 2011 and 2010**

Revenues	2011	Percent	2010	Percent
Grants	\$ 552,699	38.6%	\$ 934,283	53.5%
United Way	274,943	19.2%	280,928	16.1%
Contributions	291,197	20.3%	261,886	15.0%
Special events	279,927	19.6%	237,076	13.5%
Rental income and other	32,938	2.3%	33,285	1.9%
Total	1,431,704	100%	1,747,458	100%
Expenses				
Program	1,164,859	80.1%	1,028,352	78.1%
General and administrative	93,380	6.4%	190,062	14.5%
Fundraising	196,685	13.5%	97,731	7.4%
Total expenses	1,454,924	100.0%	1,316,145	100%
Net Increase	\$ (23,220)	-1.6%	\$ 431,313	24.7%