



**BIG BROTHERS BIG SISTERS
SOUTHEASTERN PENNSYLVANIA**

FINANCIAL STATEMENTS

***WITH REPORTING REQUIREMENTS FOR
GOVERNMENT AUDITING STANDARDS***

**DECEMBER 31, 2014 AND 2013
(with supplementary information)**

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Brothers Big Sisters Southeastern Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters Southeastern Pennsylvania (the "Organization"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The 2014 audit was also conducted in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The 2013 financial statements were not audited in accordance with *Government Auditing Standards*.

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 Organization'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 Organization'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 on the previous page present fairly, in all material respects, the financial position of Big Brothers Big Sisters Southeastern Pennsylvania as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of outcome, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2015 on our consideration of Big Brothers Big Sisters Southeastern Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Brothers Big Sisters Southeastern Pennsylvania's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "EisnerAmper LLP". The signature is written in a cursive, flowing style.

Jenkintown, Pennsylvania
April 8, 2015

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statements of Financial Position

	<u>December 31</u>	
ASSETS	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 1,101,583	\$ 2,450,434
Contributions, pledges and grants receivable	1,040,809	440,653
Investments	3,530,395	2,178,915
Prepaid expenses	<u>25,240</u>	<u>62,855</u>
Total current assets	<u>5,698,027</u>	<u>5,132,857</u>
Property and equipment:		
Land	10,000	10,000
Building and leasehold improvements	241,227	248,117
Furniture, fixtures and equipment	187,603	207,176
Vehicles	<u>76,517</u>	<u>76,517</u>
	515,347	541,810
Less accumulated depreciation	<u>360,204</u>	<u>399,987</u>
Net property and equipment	<u>155,143</u>	<u>141,823</u>
Other assets:		
Contributions, pledges, and grants receivable, net	26,459	48,658
Deposits and other assets	16,304	17,604
Escrow, self-insurance fund	<u>13,409</u>	<u>17,785</u>
Total other assets	<u>56,172</u>	<u>84,047</u>
	<u>\$ 5,909,342</u>	<u>\$ 5,358,727</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 120,644</u>	<u>\$ 54,406</u>
Commitments		
NET ASSETS		
Unrestricted:		
Operations	5,147,002	4,479,976
Board designated	350,000	350,000
Temporarily restricted	255,746	438,395
Permanently restricted	<u>35,950</u>	<u>35,950</u>
Total net assets	<u>5,788,698</u>	<u>5,304,321</u>
	<u>\$ 5,909,342</u>	<u>\$ 5,358,727</u>

See notes to financial statements

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statement of Activities and Changes in Net Assets Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues and support:				
Government funding	\$ 2,927,512	\$ -	\$ -	\$ 2,927,512
Foundations, corporate and other support	1,506,549	333,288	-	1,839,837
Contributions	667,236	-	-	667,236
Special events, net of direct expenses of \$179,893	653,829	-	-	653,829
Net assets released from restrictions	515,937	(515,937)	-	-
	<u>6,271,063</u>	<u>(182,649)</u>	<u>-</u>	<u>6,088,414</u>
Operating expenses:				
Program services:				
Mentoring services	3,944,566	-	-	3,944,566
Mentoring resource center	139,590	-	-	139,590
Supporting services:				
Management and general	757,579	-	-	757,579
Fundraising	853,181	-	-	853,181
	<u>5,694,916</u>	<u>-</u>	<u>-</u>	<u>5,694,916</u>
Increase (decrease) in net assets from operations	<u>576,147</u>	<u>(182,649)</u>	<u>-</u>	<u>393,498</u>
Nonoperating activities:				
Net realized and unrealized loss on investments	(34,063)	-	-	(34,063)
Interest and dividend income	124,942	-	-	124,942
	<u>90,879</u>	<u>-</u>	<u>-</u>	<u>90,879</u>
Change in net assets	667,026	(182,649)	-	484,377
Net assets at beginning of year	<u>4,829,976</u>	<u>438,395</u>	<u>35,950</u>	<u>5,304,321</u>
Net assets at end of year	<u>\$ 5,497,002</u>	<u>\$ 255,746</u>	<u>\$ 35,950</u>	<u>\$ 5,788,698</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statement of Activities and Changes in Net Assets Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues and support:				
Government funding	\$ 2,200,316	\$ -	\$ -	\$ 2,200,316
Foundations, corporate and other support	1,311,414	307,050	-	1,618,464
Contributions	575,452	-	-	575,452
Special events, net of direct expenses of \$194,813	428,644	-	-	428,644
Net assets released from restrictions	593,319	(593,319)	-	-
	<u>5,109,145</u>	<u>(286,269)</u>	<u>-</u>	<u>4,822,876</u>
Operating expenses:				
Program services	3,706,532	-	-	3,706,532
Supporting services:				
Management and general	544,432	-	-	544,432
Fundraising	812,551	-	-	812,551
	<u>5,063,515</u>	<u>-</u>	<u>-</u>	<u>5,063,515</u>
Increase (decrease) in net assets from operations	<u>45,630</u>	<u>(286,269)</u>	<u>-</u>	<u>(240,639)</u>
Nonoperating activities:				
Net realized and unrealized gain on investments	201,889	-	-	201,889
Interest and dividend income	76,197	-	-	76,197
	<u>278,086</u>	<u>-</u>	<u>-</u>	<u>278,086</u>
Change in net assets	323,716	(286,269)	-	37,447
Net assets at beginning of year	<u>4,506,260</u>	<u>724,664</u>	<u>35,950</u>	<u>5,266,874</u>
Net assets at end of year	<u>\$ 4,829,976</u>	<u>\$ 438,395</u>	<u>\$ 35,950</u>	<u>\$ 5,304,321</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statements of Functional Expenses

	Year Ended December 31						
	2014			2013			
	Program Services		Supporting Services	Supporting Services		Total	
Mentoring Services	Mentoring Resource Center	Management and General	Fundraising	Program Services	Management and General	Fundraising	
Employee related expenses	\$ 2,722,945	\$ 35,875	\$ 419,743	\$ 408,980	\$ 2,841,413	\$ 571,309	\$ 3,783,506
Professional fees	590	56,692	270,466	262,789	23,173	100,733	236,462
Facilities expenses	333,105	4,389	51,348	50,032	285,233	57,351	379,805
Equipment and office expenses	23,620	38,109	2,541	4,394	60,205	8,579	75,920
Travel, conferences and meetings	54,858	3,831	5,348	8,239	50,726	10,199	67,544
Insurance	47,525	433	5,074	8,849	45,574	6,494	57,470
Marketing and fund development	26,622	-	-	26,621	35,919	-	71,839
Program and recruitment activities	635,491	-	-	-	324,523	-	324,523
Bad debt expense	-	-	-	77,943	-	-	16,299
Repayment of grant	71,164	-	-	-	-	-	-
Depreciation	28,646	261	3,059	5,334	39,766	4,714	50,147
	<u>\$ 3,944,566</u>	<u>\$ 139,590</u>	<u>\$ 757,579</u>	<u>\$ 853,181</u>	<u>\$ 3,706,532</u>	<u>\$ 544,432</u>	<u>\$ 5,063,515</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statements of Cash Flows

	Year Ended December 31	
	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 484,377	\$ 37,447
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,300	50,147
Allowance for doubtful accounts	(540)	(21,976)
Realized and unrealized (gain) loss on investments	34,063	(201,889)
Donated securities	(20,831)	-
Proceeds from sale of donated securities	20,831	-
(Increase) decrease in assets:		
Contributions, pledges, and grants receivable	(577,417)	540,535
Prepaid expenses	37,615	(1,621)
Deposits and other assets	1,300	(1,047)
Escrow, self-insurance fund	4,376	(294)
Increase (decrease) in accounts payable and accrued expenses	66,238	(65,041)
Net cash provided by operating activities	<u>87,312</u>	<u>336,261</u>
Cash flows from investing activities:		
Purchase of equipment	(50,620)	(30,865)
Proceeds from sale of investments	584,427	410,884
Purchase of investments	(1,969,970)	(471,470)
Net cash used in investing activities	<u>(1,436,163)</u>	<u>(91,451)</u>
Change in cash and cash equivalents	(1,348,851)	244,810
Cash and cash equivalents at beginning of year	<u>2,450,434</u>	<u>2,205,624</u>
Cash and cash equivalents at end of year	<u>\$ 1,101,583</u>	<u>\$ 2,450,434</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2014 and 2013

NOTE A - ORGANIZATION

The mission of Big Brothers Big Sisters Southeastern Pennsylvania (the "Organization") is to improve the lives of children and strengthen communities through professionally supported, one-to-one mentoring relationships.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting.

[2] Use of estimates:

The presentation 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.

[3] Cash and cash equivalents:

Cash and cash equivalents include all cash balances and highly liquid investments with initial maturities of three months or less. The Organization places its temporary cash investments with high-credit quality financial institutions. At times, such funds may be in excess of the Federal Deposit Insurance Corporation insurance limit. Management believes that it is not exposed to any significant credit risks on its cash accounts.

[4] Contributions, pledges and grants receivable:

Contributions receivable include individual, corporate and foundation amounts. Promises to give are recorded in the period received. The Organization records promises to give at the estimated present value of the future cash flows, net of an allowance for doubtful accounts. The allowance is based on prior years' experience and management's analysis of specific promises made, collectability and historical trends in collection. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Revenue from government grants is recognized as expenditures are made.

[5] Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt and equity securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets and are net of investment expenses of \$11,235 and \$10,001 for the years ended December 31, 2014 and 2013, respectively. Upon Board approval, up to 5% of the prior year's ending investment balance can be used for general operating expenses and/or for budgeted program expenses. The Organization did not transfer any of the investment balance during the years ended December 31, 2014 and 2013.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Property and equipment and depreciation:

Property and equipment are stated at cost less accumulated depreciation. Renewals and betterments are added to the property accounts while ordinary maintenance and repairs are expensed currently. Upon sale or retirement of an asset, the cost and related accumulated depreciation are removed from the accounts and the resultant gain or loss, if any, is included in the statements of activities and changes in net assets. Donated equipment is capitalized at its approximate fair value as of the date of the donation.

Depreciation is provided using straight-line as well as accelerated methods over the estimated useful lives of the related assets, ranging from three to seven years. Depreciation for the years ended December 31, 2014 and 2013 was \$37,300 and \$50,147, respectively.

Management evaluates the recoverability of long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2014 and 2013, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Classification of net assets:

The Organization's net assets have been grouped into the following three classes:

- ***Unrestricted***

Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. During the year ended December 31, 2013, the Board designated \$350,000 to be used toward program activities in subsequent years.

- ***Temporarily Restricted***

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

- ***Permanently Restricted***

Permanently restricted net assets are subject to donor-imposed stipulations that the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

[8] Functional expenses:

Expenses are charged to program services based on direct expenditures incurred. Any expenditure not directly chargeable has been allocated among program and supporting services classifications on the basis of time records and estimates made by the Organization's management.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2014 and 2013

NOTE C - RECEIVABLES

Contributions, pledges, and grants receivable, which are receivable in more than one year, are discounted at a rate of 5% to approximate fair value. In determining fair value, the Organization considers the creditworthiness of the donors, the Organization's past collection experience and its procedures to collect promises to give.

The Organization has a conditional promise to give as of December 31, 2014 for \$400,000.

Contributions, pledges, and grants receivable as of December 31, 2014 and 2013 are as follows:

<u>Contributions, Pledges and Grants Receivable</u>	<u>2014</u>	<u>2013</u>
Less than one year	\$ 1,040,809	\$ 440,653
One year to five years	<u>30,900</u>	<u>76,870</u>
Total receivables	1,071,709	517,523
Less total discounts to net present value	3,901	12,593
Less allowance for uncollectable receivables	<u>540</u>	<u>15,619</u>
Total net receivables	<u>\$ 1,067,268</u>	<u>\$ 489,311</u>

Pledges which are receivable in more than one year are discounted at a rate of 5% for the years ended December 31, 2014 and 2013.

NOTE D - INVESTMENTS

The Organization's investment activity for the years ended December 31, 2014 and 2013 is summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
For the year ended December 31, 2014:			
Balance at end of year	<u>\$ 3,191,365</u>	<u>\$ 3,530,395</u>	\$ 339,030
Balance at beginning of year	<u>\$ 1,832,671</u>	<u>\$ 2,178,915</u>	<u>346,244</u>
Decrease in unrealized gain			(7,214)
Realized net loss for year			<u>(26,849)</u>
Total net loss on investments			<u>\$ (34,063)</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2014 and 2013

NOTE D - INVESTMENTS (CONTINUED)

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
For the year ended December 31, 2013:			
Balance at end of year	<u>\$ 1,832,671</u>	<u>\$ 2,178,915</u>	\$ 346,244
Balance at beginning of year	<u>\$ 1,731,382</u>	<u>\$ 1,916,440</u>	<u>185,058</u>
Increase in unrealized gain			161,186
Realized net gain for year			<u>40,703</u>
Total net gain on investments			<u>\$ 201,889</u>

NOTE E - FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various approaches, including market, income and/or cost approaches. The Organization uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy and the Organization's related classification of investments are described below:

Level 1 – Values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or inputs that are derived principally from or corroborated by observable market data.

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

The financial instruments within the fair value hierarchy are based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value, which have not changed from those used as of December 31, 2013:

Mutual funds – Valued at the net asset value of shares held by the Organization at year-end.

Common stocks and exchange-traded funds – Valued at the closing price reported on the active market on which the individual securities are traded.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2014 and 2013

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth, by level, the Organization's assets at fair value, within the fair value hierarchy, as of December 31, 2014 and 2013:

	Assets at Fair Value as of			Total
	Level 1	Level 2	Level 3	
Common stocks:				
Energy	\$ 38,759	\$ -	\$ -	\$ 38,759
Financial	41,305	-	-	41,305
Health care	53,250	-	-	53,250
Industrials	124,329	-	-	124,329
Technology industry	25,212	-	-	25,212
Total common stocks	<u>282,855</u>	<u>-</u>	<u>-</u>	<u>282,855</u>
Mutual funds:				
Bond funds:				
Global long	1,270,485	-	-	1,270,485
Limited term	254,043	-	-	254,043
High yield	178,051	-	-	178,051
Equity funds:				
Strategy	90,989	-	-	90,989
International	81,432	-	-	81,432
Large growth	110,524	-	-	110,524
Total mutual funds	<u>1,985,524</u>	<u>-</u>	<u>-</u>	<u>1,985,524</u>
Exchange-traded funds:				
Emerging markets	273,461	-	-	273,461
Income stocks	143,579	-	-	143,579
International	70,012	-	-	70,012
Large value	105,536	-	-	105,536
Large core	229,342	-	-	229,342
Large growth	111,188	-	-	111,188
Energy	79,819	-	-	79,819
Financial	76,830	-	-	76,830
Health care	49,122	-	-	49,122
Technology	123,127	-	-	123,127
Total exchange-traded funds	<u>1,262,016</u>	<u>-</u>	<u>-</u>	<u>1,262,016</u>
Total assets at fair value	<u>\$ 3,530,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,530,395</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

**Notes to Financial Statements
December 31, 2014 and 2013**

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value as of			Total
	Level 1	Level 2	Level 3	
Common stocks:				
Energy	\$ 41,086	\$ -	\$ -	\$ 41,086
Financial	35,444	-	-	35,444
Health care	45,539	-	-	45,539
Industrials	93,723	-	-	93,723
Total common stocks	215,792	-	-	215,792
Mutual funds:				
Bond funds:				
Foreign	102,776	-	-	102,776
Limited term	117,075	-	-	117,075
High yield	115,130	-	-	115,130
Equity funds:				
Large value	115,557	-	-	115,557
International	57,346	-	-	57,346
Large growth	110,341	-	-	110,341
Mid small blend	49,117	-	-	49,117
Total mutual funds	667,342	-	-	667,342
Exchange-traded funds:				
Agriculture	58,304	-	-	58,304
Currencies	100,304	-	-	100,304
Emerging markets	309,444	-	-	309,444
Income stocks	149,106	-	-	149,106
International	49,908	-	-	49,908
Large core	224,246	-	-	224,246
Large growth	113,613	-	-	113,613
Energy	46,342	-	-	46,342
Financial	55,726	-	-	55,726
Health care	48,823	-	-	48,823
Strategy	50,587	-	-	50,587
Technology	89,378	-	-	89,378
Total exchange-traded funds	1,295,781	-	-	1,295,781
Total assets at fair value	\$ 2,178,915	\$ -	\$ -	\$ 2,178,915

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2014 and 2013

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in fair value levels:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2014 and 2013, there were no transfers into or out of Levels 1, 2 or 3.

NOTE F - LINE-OF-CREDIT

The Organization has a revolving line-of-credit to finance operations, which has a maximum borrowing availability of \$500,000, and bears interest at the bank's prime rate (prime was 3.25% as of December 31, 2014). Pursuant to the agreement, the Organization must maintain an average deposit and operating balance of \$250,000. There was no outstanding balance on this line-of-credit as of December 31, 2014 and 2013. The agreement has an expiration date of September 30, 2015. This obligation is secured by substantially all assets of the Organization.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets' activity for the years ended December 31, 2014 and 2013 is as follows:

	<u>Balance, January 1, 2014</u>	<u>Restricted Funds Received</u>	<u>Released from Restrictions</u>	<u>Balance, December 31, 2014</u>
Time restricted	\$ 190,357	\$ 93,288	\$ 238,868	\$ 44,777
Purpose restricted	19,969	-	-	19,969
Purpose and time restricted	<u>228,069</u>	<u>240,000</u>	<u>277,069</u>	<u>191,000</u>
	<u>\$ 438,395</u>	<u>\$ 333,288</u>	<u>\$ 515,937</u>	<u>\$ 255,746</u>
	<u>Balance, January 1, 2013</u>	<u>Restricted Funds Received</u>	<u>Released from Restrictions</u>	<u>Balance, December 31, 2013</u>
Time restricted	\$ 226,712	\$ 52,050	\$ 88,405	\$ 190,357
Purpose restricted	19,969	-	-	19,969
Purpose and time restricted	<u>477,983</u>	<u>255,000</u>	<u>504,914</u>	<u>228,069</u>
	<u>\$ 724,664</u>	<u>\$ 307,050</u>	<u>\$ 593,319</u>	<u>\$ 438,395</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2014 and 2013

NOTE H - PERMANENTLY RESTRICTED NET ASSETS

Big Brothers Big Sisters Southeastern Pennsylvania received permanently restricted net assets in the amount of \$35,950 as a result of its merger with Montgomery County Big Brothers Big Sisters Association, Inc. The earnings on these permanently restricted net assets are used for general operations.

NOTE I - MAJOR REVENUE SOURCES

In both 2014 and 2013, approximately 24% and 25%, respectively, of Big Brothers Big Sisters Southeastern Pennsylvania's revenue was from private foundations and corporations. Additionally in both 2014 and 2013, 11% of Big Brothers Big Sisters Southeastern Pennsylvania's revenue came from individual contributions. However, no single foundation, corporation, or individual represents a significant portion of these percentages.

In 2014 and 2013, an additional 48% and 42%, respectively, of Big Brothers Big Sisters Southeastern Pennsylvania's revenue was from government grants. Major funding sources include, but are not limited to, the U.S. Department of Justice, Commonwealth of Pennsylvania, and the City of Philadelphia. In the event these grants and contracts are discontinued or severely restricted, the activities of Big Brothers Big Sisters Southeastern Pennsylvania would be curtailed accordingly.

NOTE J - UNCERTAINTY IN INCOME TAXES

The Internal Revenue Service ("IRS") has classified the Organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code"); as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability, if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of management and general expenses. There were no income tax related interest and penalties recorded for the years ended December 31, 2014 and 2013. The tax returns of the Organization for the years ended December 31, 2011 through 2014 are or will be subject to examination by the IRS and other various taxing authorities, generally for three years after they are filed.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2014 and 2013

NOTE K - LEASE OBLIGATIONS

Big Brothers Big Sisters Southeastern Pennsylvania leases its facilities under operating leases with various terms expiring through 2023. Monthly payments range from approximately \$1,500 per month to approximately \$23,000 per month over the course of the leases. Rental expense for the years ended December 31, 2014 and 2013 was \$208,401 and \$174,374, respectively. Scheduled future minimum lease payments for leases with terms in excess of one year as of December 31, 2014 are as follows:

<u>Year Ending December 31</u>	
2015	\$ 217,767
2016	234,628
2017	263,623
2018	256,710
2019	259,732
Thereafter	<u>788,860</u>
	<u>\$ 2,021,320</u>

The Organization has obtained a bank letter-of-credit in the amount of \$100,000 in support of a lease for office space. This letter-of-credit expires on February 17, 2016 and is in favor of the Organization's landlord.

NOTE L - RETIREMENT PLAN

The Organization has a 403(b) defined-contribution retirement plan that covers all eligible employees. Employees may contribute to a voluntary tax deferred annuity program up to the amount allowed by the Code. Effective May 1, 2011, the Board of Directors approved the suspension of all Organizational contributions to the employee retirement plan, both in the form of matching contributions and direct pension funding. No matching contributions were made for the year ended December 31, 2013; however, matching contributions were reinstated beginning in 2014. The Organization contributed \$14,156 in matching contributions for the year ended December 31, 2014.

NOTE M - SELF-INSURED UNEMPLOYMENT TRUST

The Organization funds its own unemployment claims through a third-party insurance provider. Quarterly contributions are made based upon the Organization's payroll and all claims are paid from the escrow fund balance. The escrow fund balance as of December 31, 2014 and 2013 was \$13,409 and \$17,785, respectively, and represents premiums paid in excess of liability for claims paid out on behalf of the Organization.

NOTE N - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 8, 2015, which is the date the financial statements were available to be issued.



A Brief Look at Big Brothers Big Sisters Southeastern PA in 2014

3,193 Children Served in Calendar Year 2014

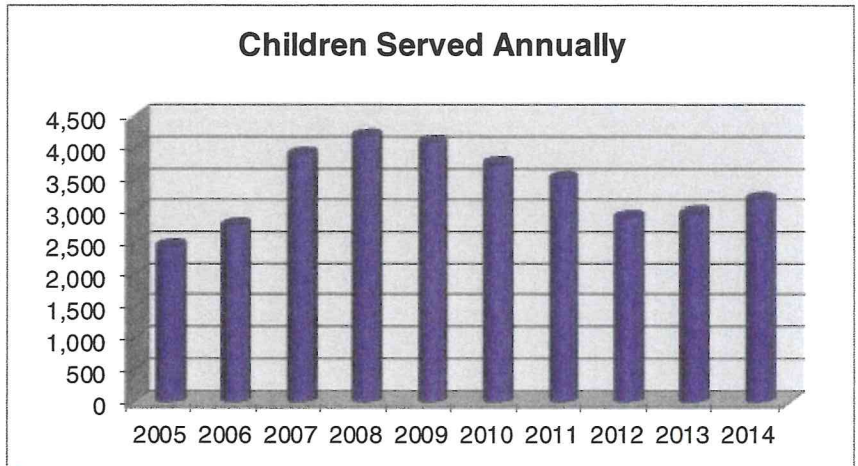
This number is even more impressive given that for every at-risk child served, there were another 3,193 carefully screened and trained volunteers taking an active role in our one-to-one mentoring program as well.

In total, 6,386 children and adults were active participants in the Big Brothers Big Sisters Program in 2014.

Time Invested

3,193 volunteers means that between **76,632 to 153,264 hours of volunteer time were served in 2014** - estimated at what we leveraged for our community last year.*

** Based on an average of 2-4 hours per month per volunteer.*



Strategic Sustainability & Fiscal Soundness

Big Brothers Big Sisters Southeastern PA (BBBS SEPA) is celebrating its 100-year anniversary in 2015. Maintaining a fiscally sound organization is fundamental to ensuring BBBS SEPA is around for another hundred years. We are proud to be recognized with the GuideStar Exchange Seal, demonstrating our commitment to transparency.

Positive Impact

1,245 new mentoring matches were made in 2014. The average match length for Community-Based matches was **29.4 months**, and for School-Based matches, the average was **14.9 months**.

2014 surveys of Littles in our Community-Based mentoring program show that spending time with their Bigs really does make a noticeable impact. After just one year of mentoring...

- **64%** of Littles improved in feeling socially accepted
- **53%** of Littles improved in scholastic competency
- **29%** of Littles experienced improvements in their educational expectations
- **34%** of Littles improved their grades

Additionally, **98%** of children in the program advanced to the next grade; and **87%** said their Bigs give them good ideas about how to solve problems.

Agency Achievements

- 3rd largest of more than 350 Big Brothers Big Sisters agencies nationwide
- 2014 Whitney M. Young Award by the Urban League of Philadelphia
- Gold Standard Award for Top Performing Agencies in the Nation
- 2014 Non-profit of the Year by the Main Line Chamber of Commerce
- 2014 Best of Norristown Award for Youth Organization

“Thank you so much for making this experience with the program and [my Big Sister] Kelly so much fun. My story with Kelly, from the 7th grade to graduating high school, was a miracle. I found my true self in the world and that I was able to know myself better each day. I was able to talk to Kelly about things I wasn't sure of, I was worried or scared about, etc., and she would give me great advice. She would take me to amazing places that had a lesson with it, and I was always ready to learn something new. Kelly was the best Big Sister.”

- Little Sister Keisha, who graduated from the program in 2014