

***Big Brothers & Big Sisters
Services, Inc.***

FINANCIAL REPORT
DECEMBER 31, 2008 and 2007

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PILC &
MOSELEY, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers & Big Sisters Services, Inc.
Richmond, Virginia

We have audited the accompanying statements of financial position of Big Brothers & Big Sisters Services, Inc., as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years 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.

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 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 audits provide 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 Services, Inc., as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Pilc & Moseley, LLC

Richmond, Virginia
July 2, 2009

FINANCIAL STATEMENTS

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statements of Financial Position

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u> (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 451,019	\$ 260,716
Cash and cash equivalents - temporarily restricted	159,753	245,397
Unconditional promises to give	94,047	86,991
Prepaid expenses	<u>21,575</u>	<u>6,613</u>
Total current assets	<u>726,394</u>	<u>599,717</u>
PROPERTY AND EQUIPMENT		
Equipment	28,336	28,336
Furniture and fixtures	<u>48,107</u>	<u>48,107</u>
	76,443	76,443
Less accumulated depreciation	<u>62,845</u>	<u>56,157</u>
Total property and equipment	<u>13,598</u>	<u>20,286</u>
OTHER ASSETS		
Deposits	<u>1,906</u>	<u>1,906</u>
Total assets	<u>\$ 741,898</u>	<u>\$ 621,909</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 28,562</u>	<u>\$ 14,577</u>
Total liabilities	<u>28,562</u>	<u>14,577</u>
NET ASSETS		
Unrestricted	476,728	299,987
Temporarily restricted	<u>236,608</u>	<u>307,345</u>
Total net assets	<u>713,336</u>	<u>607,332</u>
Total liabilities and net assets	<u>\$ 741,898</u>	<u>\$ 621,909</u>

See accompanying notes.

BIG BROTHERS BIG SISTERS SERVICES, INC.Statement of Activities
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 155,633	\$ 371,016	\$ 526,649
United Way allocation	182,363	-	182,363
Contributed materials and services	156,134	-	156,134
Special events			
Gross revenue, including contributed materials of \$99,809	\$ 304,610		
Direct benefit costs, including contributed materials of \$99,809	<u>120,698</u>	-	183,912
Interest income	9,186	-	9,186
Net assets released from restrictions	<u>441,753</u>	<u>(441,753)</u>	-
Total revenues and other support	<u>1,128,981</u>	<u>(70,737)</u>	<u>1,058,244</u>
EXPENSES AND LOSSES			
Functional expenses:			
Program services	678,236	-	678,236
Management and general	64,009	-	64,009
Fund-raising	<u>209,995</u>	-	<u>209,995</u>
Total functional expenses	<u>952,240</u>	<u>-</u>	<u>952,240</u>
CHANGE IN NET ASSETS	176,741	(70,737)	106,004
NET ASSETS, BEGINNING OF YEAR	<u>299,987</u>	<u>307,345</u>	<u>607,332</u>
NET ASSETS, END OF YEAR	<u>\$ 476,728</u>	<u>\$ 236,608</u>	<u>\$ 713,336</u>

See accompanying notes.

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statement of Activities

Year Ended December 31, 2007

	Restated		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 50,481	\$ 476,364	\$ 526,845
United Way allocation	186,798	-	186,798
Contributed materials and services	71,500	-	71,500
Special events			
Gross revenue, including contributed materials of \$117,456	\$322,277		
Direct benefit costs, including contributed materials of \$117,456	<u>137,922</u>		
	184,355	-	184,355
Other income	164	-	164
Interest income	15,206	-	15,206
Net assets released from restrictions	<u>396,573</u>	<u>(396,573)</u>	<u>-</u>
Total revenues and other support	<u>905,077</u>	<u>79,791</u>	<u>984,868</u>
EXPENSES AND LOSSES			
Functional expenses:			
Program services	606,130	-	606,130
Management and general	59,470	-	59,470
Fund-raising	<u>92,837</u>	<u>-</u>	<u>92,837</u>
Total functional expenses	<u>758,437</u>	<u>-</u>	<u>758,437</u>
CHANGE IN NET ASSETS	146,640	79,791	226,431
NET ASSETS, BEGINNING OF YEAR	<u>153,347</u>	<u>227,554</u>	<u>380,901</u>
NET ASSETS, END OF YEAR	<u>\$ 299,987</u>	<u>\$ 307,345</u>	<u>\$ 607,332</u>

See accompanying notes.

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statement of Functional Expenses

Year Ended December 31, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Salaries	\$ 337,812	\$ 18,755	\$ 60,842	\$ 417,409
Payroll taxes	29,534	1,794	5,535	36,863
Employee benefits	<u>29,503</u>	<u>2,996</u>	<u>5,358</u>	<u>37,857</u>
Total salaries and related expenses	396,849	23,545	71,735	492,129
Professional fees	30,219	12,938	27,513	70,670
Supplies	14,802	1,928	2,643	19,373
Telephone	8,047	1,614	179	9,840
Postage and shipping	3,119	1,669	1,719	6,507
Occupancy	40,159	8,429	937	49,525
Printing and publication	6,645	58	11,760	18,463
Advertising and marketing	13,072	3,661	8,020	24,753
Travel and meals	12,433	1,517	17,285	31,235
Conferences and conventions	1,877	229	2,610	4,716
Insurance	19,170	1,287	255	20,712
Equipment rental and maintenance	6,550	1,393	18,632	26,575
National dues	9,636	-	-	9,636
Other expenses	-	2,450	-	2,450
Taxes and licenses	-	49	-	49
Bank fees	-	2,714	71	2,785
Depreciation	4,656	528	1,504	6,688
Contributed services and materials	<u>111,002</u>	<u>-</u>	<u>45,132</u>	<u>156,134</u>
Total functional expenses	<u>\$ 678,236</u>	<u>\$ 64,009</u>	<u>\$ 209,995</u>	<u>\$ 952,240</u>

See accompanying notes.

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statement of Functional Expenses

Year Ended December 31, 2007

	Restated			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Salaries	\$ 298,207	\$ 26,942	\$ 12,836	\$ 337,985
Payroll taxes	24,605	2,100	1,092	27,797
Employee benefits	18,298	1,006	804	20,108
Total salaries and related expenses	341,110	30,048	14,732	385,890
Professional fees	75,763	11,075	5,412	92,250
Supplies	10,777	1,541	2,592	14,910
Telephone	6,535	1,249	751	8,535
Postage and shipping	3,304	867	1,228	5,399
Occupancy	40,281	4,171	6,066	50,518
Printing and publication	3,501	2,807	9,555	15,863
Advertising and marketing	14,162	530	6,359	21,051
Travel and meals	13,276	279	233	13,788
Conferences and training	4,925	45	150	5,120
Insurance	16,071	1,786	131	17,988
Equipment rental and maintenance	11,199	1,779	13,135	26,113
National dues	9,094	-	-	9,094
Other expenses	6,082	84	479	6,645
Taxes and licenses	-	2,067	883	2,950
Bank fees	-	349	1,669	2,018
Depreciation	4,050	793	3,962	8,805
Contributed services and materials	46,000	-	25,500	71,500
Total functional expenses	<u>\$ 606,130</u>	<u>\$ 59,470</u>	<u>\$ 92,837</u>	<u>\$ 758,437</u>

See accompanying notes.

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statements of Cash Flows

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 106,004	\$ 226,431
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,688	8,805
Changes in assets and liabilities:		
Unconditional promises to give	(7,056)	(2,204)
Prepaid expenses	(14,962)	2,357
Accounts payable and accrued expenses	13,985	6,885
Net cash provided by operating activities	<u>104,659</u>	<u>242,274</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the purchase of property and equipment	<u>-</u>	<u>(994)</u>
Net cash used in investing activities	<u>-</u>	<u>(994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>-</u>	<u>(1,427)</u>
Net cash used in financing activities	<u>-</u>	<u>(1,427)</u>
Net increase in cash and cash equivalents	104,659	239,853
CASH AND CASH EQUIVALENTS		
Beginning	<u>506,113</u>	<u>266,260</u>
Ending	<u>\$ 610,772</u>	<u>\$ 506,113</u>

See accompanying notes.

BIG BROTHERS & BIG SISTERS SERVICES, INC.

Notes to Financial Statements

December 31, 2008 and 2007

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Big Brothers & Big Sisters Services, Inc. (the Organization) is an independent not-for-profit non-stock corporation established for the purpose of organizing in Central Virginia a group of mature and responsible persons to voluntarily assist, counsel, and guide boys and girls who lack an adequate adult figure in their lives. A significant portion of the Organization's revenues is derived from contributions received from United Way Services.

Basis of Presentation

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

The Organization follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the 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.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that 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 require they 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. The Organization had no permanently restricted net assets at December 31, 2008 and 2007.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

(Continued)

BIG BROTHERS & BIG SISTERS SERVICES, INC.

Notes to Financial Statements

December 31, 2008 and 2007

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

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

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All promises to give as of December 31, 2008 and 2007 are due to be collected within one year. Uncollectible promises to give are expected to be insignificant.

Income Taxes

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes were required to be provided for in the accompanying financial statements.

Furniture and Equipment

Furniture and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated service lives of the respective classes (five years).

Maintenance and repairs, including replacement of minor items of physical properties, are charged to expense; major additions are capitalized.

Contributed Materials and Services

The value of contributed materials and the value of contributed services that either (a) created or enhanced a non-financial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would have been purchased if not contributed are recorded at their fair values on the date of contribution. The Organization receives contributed services primarily in the form of public advertising provided by professional advertisers. Total contributed services were \$111,002 at December 31, 2008 and \$46,000 at December 31, 2007.

(Continued)

BIG BROTHERS & BIG SISTERS SERVICES, INC.

Notes to Financial Statements

December 31, 2008 and 2007

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Concluded)

Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

Advertising Costs

Advertising costs are expensed when incurred.

NOTE 2. LINE OF CREDIT

The Organization has a \$50,000 line of credit with Wachovia Bank. The interest rate is Wachovia's prime rate plus one percent. The borrowings are unsecured and due on demand. As of December 31, 2008 and 2007 this line of credit had no outstanding balance.

NOTE 3. RETIREMENT PLANS

The organization participates in a defined benefit pension plan, which extends to participating affiliated agencies with United Way Services as administrator, and which covers substantially all of the Organization's employees. New participants in the plan become vested in three years. As a result of a 0% contribution to the plan approved by the Executive Committee of United Way Services, the Organization's pension plan expense was \$0 for the years ended December 31, 2008 and 2007.

The Organization has a Section 403(b) deferred compensation plan. This plan is an employer adopted plan through which employees can participate in a voluntary payroll deduction supplementary retirement program. There were no employer contributions to the plan for the years ended December 31, 2008 and 2007.

NOTE 4. NATIONAL DUES

The organization is required to make support payments to Big Brothers Big Sisters of America (National) based on adjusted expenditures as defined by National. During the years ended December 31, 2008 and 2007 the required payments amounted to \$9,636 and \$9,094, respectively. National provides various program services in return for these payments.

BIG BROTHERS & BIG SISTERS SERVICES, INC.

Notes to Financial Statements

December 31, 2008 and 2007

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2008 are available for the following program activities:

Site-based mentoring	\$ 143,125
Match support	54,483
Changing How Our Children Grow Up	<u>39,000</u>
Total temporarily restricted net assets	<u>\$ 236,608</u>

NOTE 6. COMMITMENTS

The Organization leases administrative office space and a postage meter under noncancelable operating leases which expire February 28, 2012. The following is a schedule by years of future minimum rental payments under the lease at December 31, 2008:

2009	52,414
2010	54,638
2011	<u>9,495</u>
	<u>\$ 116,547</u>

Rent expense for operating leases amounted to \$49,525 for the year ended December 31, 2008 and \$50,518 for the year ended December 31, 2007.

NOTE 7. RESTATEMENT

As a result of management's review of 2008 contribution revenue, the Organization discovered that unconditional promises to give were understated as of December 31, 2007. The effect of the restatement was to increase the change in net assets for 2007 by \$40,000. Temporarily restricted net assets at the beginning of 2008 were increased by \$40,000 as a result of the restatement.