

**BIG BROTHERS BIG SISTERS
SOUTHEASTERN PENNSYLVANIA**

FINANCIAL STATEMENTS

***WITH REPORTING REQUIREMENTS FOR
OMB CIRCULAR A-133***

**DECEMBER 31, 2011
(with supplementary information)**

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters Southeastern Pennsylvania

We have audited the accompanying statement of financial position of Big Brothers Big Sisters Southeastern Pennsylvania as of December 31, 2011, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Big Brothers Big Sisters Southeastern Pennsylvania's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Southeastern Pennsylvania as of December 31, 2011, and the change 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012, on our consideration of Big Brothers Big Sisters Southeastern Pennsylvania's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying schedule of outcomes is presented for the purposes of additional analysis and is not part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or any other form of assurance on the schedule of outcomes.

The image shows a handwritten signature in cursive script that reads "EisnerAmper LLP". The signature is written in black ink and is positioned in the lower-left quadrant of the page.

Jenkintown, Pennsylvania
March 26, 2012

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statement of Financial Position December 31, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,951,782
Contributions, pledges and grants receivable, net of allowance of \$21,976	918,336
Investments	1,628,127
Prepaid expenses	29,534

Total current assets 4,527,779

Property and equipment:

Land	10,000
Building and leasehold improvements	246,284
Furniture, fixtures and equipment	153,263
Vehicles	76,517

	486,064
Less accumulated depreciation	<u>304,991</u>

Net property and equipment 181,073

Other assets:

Contributions, pledges, and grants receivable, net of current portion	390,232
Deposits and other assets	24,374
Escrow, self insurance fund	17,891

Total other assets 432,497

\$ 5,141,349

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	<u>\$ 63,936</u>
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Commitments

NET ASSETS

Unrestricted	3,947,374
Temporarily restricted	1,094,089
Permanently restricted	35,950

Total net assets 5,077,413

\$ 5,141,349

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statement of Activities and Changes in Net Assets Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and support:				
Government funding	\$ 1,429,459	\$ -	\$ -	\$ 1,429,459
Foundations, corporate and other support	1,205,072	996,450	-	2,201,522
Contributions and donated goods and services	374,214	302,392	-	676,606
Special events, net of direct expenses of \$121,255	408,237	-	-	408,237
Net assets released from restrictions	914,819	(914,819)	-	-
	<u>4,331,801</u>	<u>384,023</u>	<u>-</u>	<u>4,715,824</u>
Expenses:				
Program services	3,439,408	-	-	3,439,408
Management and general	479,329	-	-	479,329
Fund-raising	775,423	-	-	775,423
	<u>4,694,160</u>	<u>-</u>	<u>-</u>	<u>4,694,160</u>
Increase (decrease) in net assets from operations	<u>(362,359)</u>	<u>384,023</u>	<u>-</u>	<u>21,664</u>
Other nonoperating revenues:				
Net realized and unrealized loss on investments	(186,521)	-	-	(186,521)
Interest and dividend income	63,866	-	-	63,866
	<u>(122,655)</u>	<u>-</u>	<u>-</u>	<u>(122,655)</u>
Changes in net assets	(485,014)	384,023	-	(100,991)
Net assets at beginning of year	<u>4,432,388</u>	<u>710,066</u>	<u>35,950</u>	<u>5,178,404</u>
Net assets at end of year	<u>\$ 3,947,374</u>	<u>\$ 1,094,089</u>	<u>\$ 35,950</u>	<u>\$ 5,077,413</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

**Statement of Functional Expenses
Year Ended December 31, 2011**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>		
Employee related expenses	\$ 2,789,030	\$ 285,406	\$ 538,297	\$ 823,703	\$ 3,612,733
Professional fees	3,547	130,745	26,923	157,668	161,215
Facilities expenses	330,900	33,861	63,865	97,726	428,626
Equipment and office expenses	53,374	5,462	10,301	15,763	69,137
Travel, conferences and meetings	111,494	11,409	21,519	32,928	144,422
Insurance	31,924	6,427	3,655	10,082	42,006
Marketing and fund development	21,322	-	43,290	43,290	64,612
Program and recruitment activities	67,920	-	-	-	67,920
Bad debt expense	-	-	64,151	64,151	64,151
Depreciation	29,897	6,019	3,422	9,441	39,338
	<u>\$ 3,439,408</u>	<u>\$ 479,329</u>	<u>\$ 775,423</u>	<u>\$ 1,254,752</u>	<u>\$ 4,694,160</u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Statement of Cash Flows Year Ended December 31, 2011

Cash flows from operating activities:

Changes in net assets	\$ (100,991)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	39,338
Allowance for doubtful accounts	21,976
Realized and unrealized loss on investments	186,521
Donated securities	(17,410)
Increase in assets:	
Contributions, pledges, and grants receivable	(372,799)
Prepaid expenses and other assets	(16,565)
Escrow, self insurance fund	(16,976)
Decrease in accounts payable and accrued expenses	<u>(64,851)</u>
Net cash used in operating activities	<u>(341,757)</u>

Cash flows from investing activities:

Proceeds from sale of investments	858,412
Purchase of investments	<u>(808,567)</u>
Net cash provided by investing activities	<u>49,845</u>

Net decrease in cash (291,912)

Cash and cash equivalents at beginning of year 2,243,694

Cash and cash equivalents at end of year \$ 1,951,782

Supplemental disclosure of cash flow information:

Contributed legal services	<u><u>\$ 10,000</u></u>
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BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2011

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 and change in year-end:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Effective January 1, 2011 the Organization elected to prospectively effect a change in year end from June 30 to December 31. Therefore, the accompanying schedule of expenditures of federal awards includes all expenditures for the eighteen month period ended December 31, 2011, while the financial statements include all activity for the year ended December 31, 2011.

[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 an initial maturity 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, government, corporate and foundation amounts. Contributions are recorded in the period received. 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. The Organization records contributions at the estimated present value of the future cash flows, net of allowances 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. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions.

[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 statement of financial position. Unrealized gains and losses are included in the changes in net assets and are offset by investment expenses of \$11,360 for the year ended December 31, 2011. Upon Board approval, up to 5% of the prior year's ending investment balance can be used to offset general operating expenses and/or for budgeted program expenses. The Organization did not transfer any of the investment balance during the year ended December 31, 2011.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Property and equipment and depreciation:

Property and equipment are stated at cost. Major renewals and betterments are added to the property accounts while ordinary maintenance and repairs are expensed currently. Upon sale or retirement, the cost of the asset and related accumulated depreciation are removed from the accounts and the resultant gain or loss, if any, is included in income. Donated equipment is capitalized at 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 year ended December 31, 2011 was \$39,338.

[7] Classification of net assets:

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

- ***Unrestricted Net Assets***

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 or may otherwise be limited by contractual agreements with outside parties.

- ***Temporarily Restricted Net Assets***

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 statement of activities and change in net assets as net assets released from restrictions.

- ***Permanently Restricted Net Assets***

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 any related investment for general or specific purposes.

[8] Functional expenses:

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

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2011

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.

Contributions, pledges, and grants receivable as of December 31, 2011 are as follows:

Contributions, Pledges, and Grants Receivable in	
Less than one year	\$ 940,312
One year to five years	452,805
Over five years	<u>780</u>
Total receivables	1,393,897
Less total discounts to net present value	63,353
Less allowance for uncollectable receivables	<u>21,976</u>
Total net receivables	<u><u>\$ 1,308,568</u></u>

NOTE D - FAIR VALUE MEASUREMENTS

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. All investments of the Organization are valued using Level 1 inputs.

Level 2 – Inputs to the valuation methodology include (1) quoted prices for similar assets in active markets; (2) quoted prices for identical or similar assets in inactive markets; (3) inputs other than quoted prices that are observable for the asset; or (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

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

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2011

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

In January 2010, FASB issued amended guidance on fair value measurements requiring additional disclosures effective for fiscal years beginning after December 15, 2010 regarding reporting purchases, sales, issuances, and settlements for Level 3 assets on a gross basis.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used as of December 31, 2011.

Equities, Mutual Funds and Exchange Traded Funds – Valued at the closing price reported in the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate, 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 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 year ended December 31, 2011, there were no significant transfers in or out of Levels 1, 2 or 3.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2011

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth, the Organization's investments at fair value, within the fair value hierarchy as of December 31, 2011:

	<u>Level 1</u>
Equities:	
Energy	\$ 34,035
Financial	17,591
Health care	34,303
Industrials	46,182
Metals and mining	<u>32,631</u>
Total equities	<u>164,742</u>
Mutual funds:	
Bond funds:	
Foreign	89,926
Limited term	373,408
Equity funds:	
Defensive	71,337
International	43,052
Large growth	93,271
Mid small value	<u>47,667</u>
Total mutual funds	<u>718,661</u>
Exchange-traded funds:	
Agriculture	41,256
Currencies	92,476
Emerging markets	211,446
Income stocks	93,880
International	34,375
Large core	92,959
Energy	30,184
Financial	40,255
Technology	<u>107,893</u>
Total exchange-traded funds	<u>744,724</u>
Total	<u><u>\$ 1,628,127</u></u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2011

NOTE E - LINE-OF-CREDIT

The Organization had available a \$500,000 bank line-of-credit which expired on February 1, 2011. Subsequent to the expiration, the bank elected not to renew this line-of-credit. Management is currently in negotiations for another line-of-credit.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2011 are as follows:

	<u>Balance, January, 1 2011</u>	<u>Grants Received</u>	<u>Expenses and Transfers</u>	<u>Balance, December 31, 2011</u>
Time restricted	\$ 330,147	\$ 302,392	\$ 330,147	\$ 302,392
Purpose restricted	19,969	-	-	19,969
Purpose and time restricted	<u>359,950</u>	<u>996,450</u>	<u>584,672</u>	<u>771,728</u>
	<u>\$ 710,066</u>	<u>\$ 1,298,842</u>	<u>\$ 914,819</u>	<u>\$ 1,094,089</u>

NOTE G - 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 H - MAJOR REVENUE SOURCES

In 2011, approximately 45% of Big Brothers Big Sisters Southeastern Pennsylvania's revenue is from private foundations and corporations. Additionally in 2011, 15% of Big Brothers Big Sisters Southeastern Pennsylvania's revenue comes from individual contributions. However, no single foundation, corporation, or individual represents a significant portion of these amounts.

In 2011 an additional 30% of Big Brothers Big Sisters Southeastern Pennsylvania's revenue is from government grants. Major funding sources include, but are not limited to the U.S. Department of Justice, U.S. Department of Health and Human Services, Commonwealth of Pennsylvania, county and local governments and contracts from various sources. In the event these grants and contracts were discontinued or severely restricted, the activities of Big Brothers Big Sisters Southeastern Pennsylvania would be curtailed accordingly.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2011

NOTE I - CONTRIBUTED SERVICES

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated legal services recognized were \$10,000 for the year ended December 31, 2011.

A substantial number of unpaid volunteers have made significant contributions of time to the Organization. The value of this contributed time is not recorded in these statements since it did not meet the criteria to be recorded under accounting principles generally accepted in the United States of America. However, the very existence of the Organization is dependent upon such unpaid volunteer services.

NOTE J - FEDERAL AND STATE INCOME TAXES

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. During the year ended December 31, 2011, the Organization had no unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

U.S. GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their federal or state tax returns. Management has evaluated the impact of this standard on its financial statements and believes that there are no uncertain tax positions and the effects of adopting this standard are not material to the Organization's financial position or results of operations.

The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any, as a management and general expense. There were no income tax related interest or penalties recorded for the year ended December 31, 2011.

The federal and state exempt organization tax returns of the Organization for the years ended June 30, 2009 and 2010 as well as the six-month period ended December 31, 2010 are subject to examination by the Internal Revenue Service and other various taxing authorities, generally for three years after they were filed.

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Financial Statements December 31, 2011

NOTE K - LEASE OBLIGATIONS

Big Brothers Big Sisters Southeastern Pennsylvania leases its facilities under operating leases. Rental expense for the year ended December 31, 2011 was \$230,507. Scheduled future minimum lease payments for leases with terms in excess of one year are as follows:

<u>Year Ending December 31</u>	
2012	\$ 166,750
2013	116,083
2014	118,871
2015	113,866
2016	<u>87,620</u>
	<u>\$ 603,190</u>

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 Internal Revenue Code. The Organization contributes 1% of eligible compensation for all eligible employees, in addition to a 50% match of employee contributions up to 2% of eligible compensation. The Organization contributed \$7,840 during the year ended December 31, 2011, net of fees. 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. The Organization will consider reinstatement of the matching program and direct funding in the future as economic conditions warrant.

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 escrowed fund balance. The escrow fund balance as of December 31, 2011 was \$17,891 and represents a balance of 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 March 26, 2012, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION FOR U.S. OFFICE OF
MANAGEMENT AND BUDGET (“OMB”) CIRCULAR A-133**

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

**Schedule of Expenditures of Federal Awards
Eighteen Months Ended December 31, 2011**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/Contract Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
<u>FEDERAL AWARDS</u>				
<u>U.S. Department of Health and Human Services</u>				
Direct Program				
Mentoring Children of Prisoners	93.616	90CV0300/03	09/30/09 - 09/29/10	\$ 35,897
Mentoring Children of Prisoners	93.616	90CV0330/02	09/30/09 - 09/29/10	8,250
Mentoring Children of Prisoners	93.616	90CV0331/03	09/30/09 - 09/29/10	10,997
Pass-Through Pennsylvania - Commission on Crime and Delinquency				
Mentoring Children of Prisoners	93.616	37175	09/30/10 - 09/29/11	<u>333,240</u>
Total U.S. Department of Health and Human Services				<u><u>388,384</u></u>
<u>U.S. Department of Justice</u>				
Pass-Through Big Brothers Big Sisters of America				
Juvenile Mentoring Program	16.726	unknown	01/01/11 - 06/30/12	134,333
Pass-Through Pennsylvania - Commission on Crime and Delinquency				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-JG-03-21518	07/01/10 - 06/30/11	249,900
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008/2010-JG/DP-03/ST-21761	10/01/10 - 09/30/11 and	123,621
Recovery Act - Edward Byrne Memorial Justice Assistance Grant	16.803	2009-AJ-03-20636	07/01/10 - 6/30/11	90,000
Recovery Act - Edward Byrne Memorial Justice Assistance Grant	16.803	2009-AJ-03-20631	07/1/10 - 06/30/11 and 07/01/11 - 06/30/12	<u>167,798</u>
Total U.S. Department of Justice				<u><u>765,652</u></u>
TOTAL FEDERAL AWARDS				<u><u>\$ 1,154,036</u></u>

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Notes to Schedule of Expenditures of Federal Awards December 31, 2011

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Big Brothers Big Sisters Southeastern Pennsylvania under programs of the federal government for the eighteen months ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Big Brothers Big Sisters Southeastern Pennsylvania, it is not intended to and does not present the financial position, change in net assets, or cash flows of Big Brothers Big Sisters Southeastern Pennsylvania.

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE B - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from expenditures reported in the schedule of expenditures of federal awards due to presentation differences for nongrant sources which provided support for the program.

NOTE C - PERIOD OF REPORTING

Effective January 1, 2011, the Organization elected to prospectively effect a change in year-end from June 30 to December 31. During the decision making process, permission was received from funders to submit a schedule of expenditures of federal awards for the eighteen months ended December 31, 2011. Therefore, the accompanying schedule of expenditures of federal awards includes all expenditures for the eighteen month period ended December 31, 2011.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Big Brothers Big Sisters Southeastern Pennsylvania

We have audited the financial statements of Big Brothers Big Sisters Southeastern Pennsylvania as of and for the year ended December 31, 2011, and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Big Brothers Big Sisters Southeastern Pennsylvania is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Big Brothers Big Sisters Southeastern Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Brothers Big Sisters Southeastern Pennsylvania's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management of Big Brothers Big Sisters Southeastern Pennsylvania in a separate letter dated March 26, 2012.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, and grantors of government funding and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Jenkintown, Pennsylvania
March 26, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Big Brothers Big Sisters Southeastern Pennsylvania

Compliance

We have audited the compliance of Big Brothers Big Sisters Southeastern Pennsylvania with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the eighteen months ended December 31, 2011. Big Brothers Big Sisters Southeastern Pennsylvania's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Big Brothers Big Sisters Southeastern Pennsylvania's management. Our responsibility is to express an opinion on Big Brothers Big Sisters Southeastern Pennsylvania's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Brothers Big Sisters Southeastern Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Big Brothers Big Sisters Southeastern Pennsylvania's compliance with those requirements.

In our opinion, Big Brothers Big Sisters Southeastern Pennsylvania complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the eighteen months ended December 31, 2011.

Internal Control Over Compliance

Management of Big Brothers Big Sisters Southeastern Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Big Brothers Big Sisters Southeastern Pennsylvania's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing our opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Big Brothers Big Sisters Southeastern Pennsylvania's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities of Big Brothers Big Sisters Southeastern Pennsylvania and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "EisnerAmper LLP". The signature is written in black ink and is positioned above the typed name and date.

Jenkintown, Pennsylvania
March 26, 2012

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

Schedule of Findings Eighteen Months Ended December 31, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
16.738	DOJ – Edward Byrne Memorial Justice Assistance Grant Program
93.616	HHS – Mentoring Children of Prisoners

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

BIG BROTHERS BIG SISTERS SOUTHEASTERN PENNSYLVANIA

**Schedule of Findings
Eighteen Months Ended December 31, 2011**

Section II – Financial Statement Findings

NONE

Section III – Federal Award Findings and Questioned Costs

NONE



A Brief Look at Big Brothers Big Sisters SEPA in 2011

3,535 Children Served in Calendar Year 2011

This number is even more impressive given that for every at-risk child served, there were another 3,535 carefully, screened and trained volunteers taking an active role in our one-to-one mentoring program as well.

In total, 7,070 children and adults were active participants in the Big Brothers Big Sisters Program in 2011.

Time Invested

3,535 volunteers means that between 84,840 to 169,680 hours of volunteer time were served in 2011 - estimated at what we leveraged for our community last year.*

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

Strategic Sustainability

Our growth and sustainability has been carefully planned and implemented. To ensure that, in economically challenging times, the number of children matched in our programs remains steady and impactful, we have invested in strategic marketing and communications campaigns designed to increase awareness of the need for BBBS mentoring, and for the funding to support this life-changing mission.

Fiscal Soundness

Big Brothers Big Sisters SEPA has earned a three or four star rating from Charity Navigator for each of the past six years, indicating that we have "exceeded industry standards, outperformed most charities and managed our finances effectively."

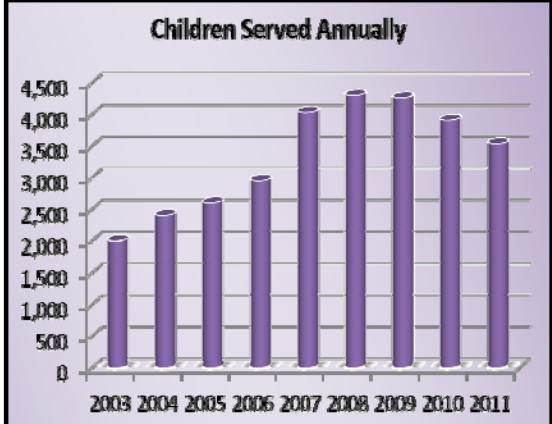
Positive Impact

Children who were matched with mentors (Bigs) demonstrated the following¹:

- 99% avoided becoming a teen parent.
- 97% did not have any arrests, convictions, or were on probation.
- 90% avoided fights using weapons.
- 95% avoided alcohol and drugs.
- 96% children passed their classes and progressed to the next grade.

Awards

- Named #1 Nonprofit for At-Risk Youth by GuideStar's Philanthropedia (2011)
- Named a "Gold Standard Performer" by Big Brothers Big Sisters of America (2009)
- Awarded "Large Agency Board of the Year" by BBBS of America (2009)
- One of only 17 out of approximately 350 Big Brothers Big Sisters agencies nationwide named a "Gold Standard Performer" by BBBS of America (2008) for growth and quality program delivery.



"I look around and see a lot of things I don't want to be. But when I look at my Big Brother, I see what I want to become."

- Little Brother Tykeem

¹Big Brothers Big Sisters Southeastern PA. 2010, updated annually. Parent Survey. 256 Parent/Guardian respondents. Verbal reports based on their children's behavior for the most recent school year. Administered 2010.