BIG BROTHERS BIG SISTERS
OF METROPOLITAN CHICAGO

FINANCIAL STATEMENTS

JUNE 30, 2013

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Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters of Metropolitan Chicago
Chicago, Illinois

We have audited the accompanying financial statements of BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO (an Illinois nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Warady & Davis LLP

September 18, 2013

STATEMENTS OF FINANCIAL POSITION

As of June 30	**2013**	2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	**$ 636,611**	$ 516,721
Restricted Cash	**125,112**	125,071
Accounts Receivable	**—**	322
Contributions Receivable	**3,511**	12,941
Grants Receivable, net of Allowance for Doubtful Accounts of $55,514 and $-0-	**5,813**	159,658
Unconditional Promises to Give	**546,723**	318,129
Prepaid Expenses	**61,554**	56,787
Total Current Assets	**1,379,324**	1,189,629
PROPERTY AND EQUIPMENT, net	**36,400**	60,217
OTHER ASSETS		
Security Deposit	**—**	500
Prepaid Lease Commission	**11,027**	14,178
Total Other Assets	**11,027**	14,678
	$ 1,426,751	$ 1,264,524
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Obligations Under Capital Leases	**$ —**	$ 7,909
Accounts Payable	**126,022**	89,839
Accrued Liabilities	**52,396**	47,538
Deferred Revenue	**—**	45,288
Deferred Rent - Current Portion	**17,379**	—
Total Current Liabilities	**195,797**	190,574
NONCURRENT LIABILITIES		
Deferred Rent	**69,601**	85,954
NET ASSETS		
Unrestricted	**132,217**	233,353
Temporarily Restricted	**904,024**	629,572
Permanently Restricted	**125,112**	125,071
	1,161,353	987,996
	$ 1,426,751	$ 1,264,524

See accompanying notes.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30	2013				2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES								
Contributions								
Corporations	**$ 138,483**	**$ 874,151**	**$**	**$ 1,012,634**	$ 155,609	$ 513,301	$	$ 668,910
Foundations	**149,558**	**423,500**		**573,058**	112,280	350,993		463,273
Individuals	**634,726**	**47,775**		**682,501**	624,502	27,664		652,166
Grants	**70,203**			**70,203**	288	161,029		161,317
United Way		**35,200**		**35,200**		42,267		42,267
Big Brothers Big Sisters of America		**101,600**		**101,600**		413,370		413,370
Program Related Events	**15,000**			**15,000**	37,480			37,480
Contributions In-Kind	**113,975**	**1,250**		**115,225**	58,549	18,000		76,549
	1,121,945	**1,483,476**		**2,605,421**	988,708	1,526,624		2,515,332
Program Service Fees	**10,989**			**10,989**	10,611			10,611
Special Events								
Special Event Revenue	**955,884**	**79,713**		**1,035,597**	686,660	46,275		732,935
Less Costs of Direct Benefits to Donors	**(380,838)**			**(380,838)**	(203,389)			(203,389)
	575,046	**79,713**		**654,759**	483,271	46,275		529,546
Other Revenue								
Gain (Loss) on Disposal of Property and Equipment	**(3,267)**			**(3,267)**				—
Interest Income	**396**		**41**	**437**	389		71	460
	(2,871)		**41**	**(2,830)**	389		71	460
Net Assets Released from Restrictions	**1,233,223**	**(1,233,223)**		**—**	1,391,144	(1,391,144)		—
Total Revenues	**2,938,332**	**329,966**	**41**	**3,268,339**	2,874,123	181,755	71	3,055,949
EXPENSES								
Program Services	**2,351,017**			**2,351,017**	2,152,232			2,152,232
Support Services								
Management and General	**248,992**			**248,992**	229,443			229,443
Fundraising	**433,709**			**433,709**	392,485			392,485
	682,701			**682,701**	621,928			621,928
Bad Debt Loss	**5,750**	**55,514**		**61,264**	12,578			12,578
Total Expenses	**3,039,468**	**55,514**		**3,094,982**	2,786,738			2,786,738
CHANGES IN NET ASSETS	**(101,136)**	**274,452**	**41**	**173,357**	87,385	181,755	71	269,211
Net Assets, Beginning	**233,353**	**629,572**	**125,071**	**987,996**	145,968	447,817	125,000	718,785
NET ASSETS, ENDING	**$ 132,217**	**$ 904,024**	**$ 125,112**	**$ 1,161,353**	$ 233,353	$ 629,572	$ 125,071	$ 987,996

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013

	Big Brothers Big Sisters Programs	Support Services: Management and General	Support Services: Fundraising	Support Services: Total	Total Expenses
Salaries	$ 1,354,883	$ 118,484	$ 274,596	$ 393,080	$ 1,747,963
Payroll Taxes	112,685	9,854	22,838	32,692	145,377
Employee Benefits	87,128	7,619	17,658	25,277	112,405
401(k) Employer Matching Contributions	6,687	585	1,355	1,940	8,627
	1,561,383	136,542	316,447	452,989	2,014,372
Annual Dues	18,614	1,628	3,772	5,400	24,014
Background Checks	30,381			—	30,381
Bank Charges	7,051	1,763	8,814	10,577	17,628
Communications	16,635	1,455	3,372	4,827	21,462
Depreciation and Amortization	23,714	2,074	4,806	6,880	30,594
Equipment Expense	32,688	2,859	6,625	9,484	42,172
Insurance	50,399	4,539	3,667	8,206	58,605
Interest	731	64	148	212	943
Miscellaneous	380	32	76	108	488
Occupancy	170,524	32,606	27,573	60,179	230,703
Office Supplies	8,888	777	1,801	2,578	11,466
Postage and Shipping	6,359	556	1,289	1,845	8,204
Printing Expense	7,207	630	1,461	2,091	9,298
Professional Fees	54,837	33,496	47,140	80,636	135,473
Program Events	202,462			—	202,462
Program Snacks and Supplies	31,681			—	31,681
Program Transportation	69,628			—	69,628
Recruitment/Marketing	125	25,512	2,132	27,644	27,769
Training and Meetings	9,721	850	1,970	2,820	12,541
Travel	47,609	3,609	2,616	6,225	53,834
	789,634	112,450	117,262	229,712	1,019,346
TOTALS	$ 2,351,017	$ 248,992	$ 433,709	$ 682,701	$ 3,033,718

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2012

	Big Brothers Big Sisters Programs	Support Services: Management and General	Support Services: Fundraising	Support Services: Total	Total Expenses
Salaries	$ 1,277,485	$ 105,442	$ 244,024	$ 349,466	$ 1,626,951
Payroll Taxes	101,114	8,346	19,315	27,661	128,775
Employee Benefits	85,545	7,061	16,341	23,402	108,947
401(k) Employer Matching Contributions	7,095	586	1,355	1,941	9,036
	1,471,239	121,435	281,035	402,470	1,873,709
Annual Dues	14,008	1,156	2,676	3,832	17,840
Background Checks	26,755			—	26,755
Bank Charges	7,036	1,759	8,795	10,554	17,590
Communications	13,217	1,091	2,525	3,616	16,833
Depreciation and Amortization	25,528	2,107	4,876	6,983	32,511
Equipment Expense	25,982	2,145	4,963	7,108	33,090
Insurance	71,931	6,706	3,547	10,253	82,184
Interest	2,096	173	400	573	2,669
Miscellaneous	317	26	61	87	404
Occupancy	147,159	57,395	21,382	78,777	225,936
Office Supplies	8,488	701	1,621	2,322	10,810
Postage and Shipping	5,635	465	1,076	1,541	7,176
Printing Expense	4,839	399	924	1,323	6,162
Professional Fees	47,997	28,967	51,204	80,171	128,168
Program Events	130,313			—	130,313
Program Snacks and Supplies	31,395			—	31,395
Program Transportation	58,478			—	58,478
Recruitment/Marketing	6,332	1,366	5,001	6,367	12,699
Training and Meetings	8,760	723	1,673	2,396	11,156
Travel	44,727	2,829	726	3,555	48,282
	680,993	108,008	111,450	219,458	900,451
TOTALS	$ 2,152,232	$ 229,443	$ 392,485	$ 621,928	$ 2,774,160

STATEMENTS OF CASH FLOWS

For the Years Ended June 30	**2013**	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	**$ 173,357**	$ 269,211
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Bad Debt Loss	**61,264**	12,578
Depreciation and Amortization	**30,594**	32,511
Amortization of Prepaid Lease Commissions	**3,151**	3,150
Loss on Sale of Property and Equipment	**3,267**	—
Proceeds from Permanently Restricted Contributions	—	(125,000)
Donated Stocks	**(102,066)**	(125,493)
Deferred Rent	**1,026**	27,479
Accounts Receivable	**322**	645
Contributions Receivable	**9,430**	1,331
Grants Receivable	**98,331**	(123,299)
Unconditional Promises to Give	**(234,344)**	111,094
Prepaid Expenses and Other Assets	**(4,767)**	414
Accounts Payable	**36,183**	12,209
Accrued Liabilities	**4,858**	(3,548)
Deferred Revenue	**(45,288)**	(39,988)
Total Adjustments	**(138,039)**	(215,917)
Net Cash Provided by Operating Activities	**35,318**	53,294
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Restricted Cash	**(41)**	(125,071)
Purchase of Property and Equipment	**(10,044)**	(3,490)
Refund of Security Deposit	**500**	—
Proceeds from Sale of Donated Stocks	**102,066**	125,493
Net Cash Provided (Used) by Investing Activities	**92,481**	(3,068)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Permanently Restricted Contributions	—	125,000
Repayments of Capital Lease Obligations	**(7,909)**	(11,678)
Net Cash Provided (Used) by Financing Activities	**(7,909)**	113,322
NET INCREASE IN CASH AND CASH EQUIVALENTS	**119,890**	163,548
Cash and Cash Equivalents, Beginning	**516,721**	353,173
CASH AND CASH EQUIVALENTS, ENDING	**$ 636,611**	$ 516,721
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	**$ 943**	$ 2,669

See accompanying notes.

NATURE OF ACTIVITIES

Big Brothers Big Sisters of Metropolitan Chicago (the Organization), an Illinois not-for-profit corporation, empowers at-risk youth by providing high-impact one-to-one mentoring that enables lifelong success. The Organization's support comes primarily from corporate, foundation and individual donors' contributions as well as government grants and various fundraising activities. The Organization derived 16% of its total revenues for 2013 and 2012 from two fundraising events, Bowl for Kids' Sake and a Golf Outing.

The Organization fulfills its mission through delivery of Community Based Mentoring and a variety of Site Based Mentoring Programs.

Community Based Mentoring Program. Through Community Based Mentoring, at-risk youth are matched one-to-one with caring, screened and trained adult volunteer mentors. This program offers Bigs and Littles the opportunity to plan together and engage in activities that they enjoy. Each match is unique, building upon the personalities, life experiences, interests and assets of the Big and Little involved.

Site Based Mentoring Programs. Site Based Mentoring operates similarly to Community Based Mentoring in that Bigs and Littles are matched one to one but meet at a prearranged space such as a school, community center or place of business 2-4 times per month with other Big/Little pairs. The Organization offers the following Site Based Program options for mentors and mentees:

School Based Mentoring. With the cooperation of the local school districts, this program matches at-risk elementary and middle school students with volunteer mentors from Chicago area corporations, colleges and universities, and the larger community. The matches meet at the school location.

Club Based Mentoring. The Organization operates Club Based Mentoring Programs in conjunction with Boys & Girls Clubs (BGC). A volunteer is matched with a youth participating in a BGC program where activities occur at the club site.

Workplace Mentoring. The Organization offers specialized mentoring programs for youth where the majority of the mentoring takes place at a corporate "workplace" site. This program allows for integration of the resources and environment of the workplace into the overall program.

Evening Site Based Mentoring. Bigs and Littles come from the general community and meet at a local community center. In addition to meeting on-site, matches participate in one monthly field trip to local sporting events, museums or outdoor activities.

Saturday Site Based Mentoring. Saturday Site Based programs offer a structured opportunity for Bigs who cannot commit to a program during the weekday. The programs meet every other Saturday throughout the calendar year.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification for "Financial Statements of Not-for-Profit Organizations". Under the standards, the Organization is required to report information regarding its financial position and activities into three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - Net assets whose use by the Organization is subject to donor-imposed stipulations that may or will be met either by actions of the Organization, pursuant to those stipulations and/or that expire by 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 as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. Due to the nature of the permanently restricted reserve fund, the income earned from the permanently restricted net assets is also permanently restricted and is recorded as permanently restricted revenue.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

SUPPORT REVENUE

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

It is the Organization's policy to sell donated securities upon receipt. Grant revenues are recognized in the period in which they are earned. Amounts received under these grants that have not yet been spent are recorded as deferred revenue.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, cash equivalents consist of money market accounts and a certificate of deposit.

RECEIVABLES

Receivables are stated at their net realizable value, which is the amount the Organization expects to collect. The Organization determines an allowance for doubtful accounts based on past experience and analyses of collectability of the various receivables. The allowance for doubtful accounts was $55,514 at June 30, 2013 and $-0- at June 30, 2012. Receivables are charged to bad debt loss when deemed uncollectible.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment in excess of the capitalization threshold of $2,500 is capitalized and carried at cost. Depreciation and amortization, including assets under capital leases, are calculated using the straight-line method over the estimated useful lives of the assets which range from 3 years for computer equipment and software to 5 years for furniture, equipment and the phone system, and 6 years for the office buildout.

DEFERRED RENT

Rent expense is recorded on the straight-line method over the life of the lease. Tenant allowances are recorded as a deferred rent liability and amortized over the term of the lease.

CONTRIBUTIONS IN-KIND

Contributions of goods and services are recorded at their estimated fair value at the date of contribution. Such contributions are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. In-kind contributions of $115,225 for 2013 and $76,549 for 2012 include professional services and event tickets and food used for program activities. Additionally, included in special event revenues on the statements of activities are donated auction and raffle items of $-0- in 2013 and $1,282 in 2012.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on the functional basis in the statements of activities. Expenses are charged directly to programs or general and administrative categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a *private foundation* within the meaning of Section 509(a) of the Internal Revenue Code. The Organization is similarly exempt for state purposes.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

The Organization files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Illinois. The Organization is generally no longer subject to examination by the Internal Revenue Service or the State of Illinois for years before 2009.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, gains and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2—CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in deposit accounts at financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

NOTE 3—RESTRICTED CASH

Restricted cash includes amounts contributed to serve as a permanently restricted reserve fund, used to support the stability of the Organization and the quality of the Organization’s programs. (See Notes 9 and 10.)

NOTE 4—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were $546,723 at June 30, 2013 and $318,129 at June 30, 2012. Management has determined that all amounts will be collected within one year and, therefore, have been presented as current on the statements of financial position.

NOTE 5—PROPERTY AND EQUIPMENT

Depreciable and amortizable assets at June 30 consist of:

	2013	2012
Furniture and Fixtures	$ 17,432	$ 11,573
Phone System	34,535	34,535
Printer/Copier	—	16,334
IT Equipment and Server	50,018	50,018
Office Build-out	19,665	15,480
	121,650	127,940
Less Accumulated Depreciation and Amortization	85,250	67,723
	$ 36,400	$ 60,217

NOTE 6—LINE OF CREDIT

The Organization maintains a revolving line of credit with a local financial institution that expired March 28, 2013. The maximum borrowing base on the line is $350,000, with a mandatory 15-day pay-down period. The line is collateralized by all of the Organization's business assets. A new line of credit agreement was signed for the period March 28, 2013 through March 27, 2014, increasing the maximum borrowing base on the line to $450,000. There was no outstanding balance at June 30, 2013 and 2012. Interest is payable monthly on the outstanding balance at the bank's prime lending rate (3.25% at June 30, 2013).

NOTE 7—CAPITAL LEASES

The Organization leased a phone system under a capital lease with a cost of $25,056 and a printer/copier with a cost of $16,334. The assets and liabilities under the capital leases were recorded at the present value of the future minimum lease payments. The obligation represents the present value of the balance due in future years for the lease of the equipment, discounted at a rate of 5.612% for the phone system and 26.958% for the printer/copier. The printer/copier capital lease expired in 2013 and the assets were disposed. Accumulated amortization for this equipment was $25,056 at June 30, 2013 and $29,845 at June 30, 2012, with amortization of $8,278 in 2013 and 2012 included in depreciation and amortization expense on the statements of functional expenses. Capital lease obligations were fully repaid during the year ended June 30, 2013.

NOTE 8—TEMPORARILY RESTRICTED NET ASSETS

	2013	2012
Programs in Highland Park	$ 34,000	$ 34,000
Office of Juvenile Justice and Delinquency Prevention	—	140,583
Site Based – Barrington/Elgin	20,000	—
Site Based – Better Boys Foundation	17,500	17,500
Site Based – Budlong	5,000	12,500
Site Based – Cotter/Logan Square	—	1,500
Site Based – Dr. King Club	20,000	—
Site Based – General Wood BGC	18,000	18,000
Site Based – Hill MS	—	18,000
Site Based – Holy Angels BGC	4,000	5,000
Site Based – Holy Trinity	10,000	—
Site Based – Jordan	22,500	31,750
Site Based – Logan Square	9,000	10,000
Site Based – McCormick	—	2,000
Site Based – Muchin College Prep	10,000	—
Site Based – Mundelein	3,500	3,500
Site Based – Orozco	5,500	12,500
Site Based – Palatine	25,000	15,000
Site Based – Ray	7,000	14,250
Site Based – St. Ann/UIC	3,000	4,000
Site Based – Skokie	13,000	—
Site Based – Streamwood	5,000	—
Site Based – Valentine	—	1,000
Site Based – Yancey	—	1,500
Site Based – New Programs (unspecified)	50,000	40,000
Site Based – Various Programs FY14	246,080	40,000
Site Based – Various Programs FY15	15,000	15,000
Community Based	57,620	65,000
Match Enrichment	35,053	—
Military Mentoring	15,000	—
Time Restricted	253,271	126,989
	$ 904,024	$ 629,572

NOTE 9—PERMANENTLY RESTRICTED NET ASSETS

	2013	2012
Wallace Cash Reserve Fund	$ 125,112	$ 125,071

NOTE 10—ENDOWMENT FUNDS

The Organization's endowment consists of one fund established to act as an operating reserve fund for the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES, AND SPENDING POLICY

The Board of Directors of the Organization has adopted investment and spending policies for endowment assets that attempts to provide for appropriate preservation of capital of the endowment funds. The endowment is invested in accordance with the gift instrument in a separate interest bearing account.

The Organization may withdraw endowment funds as deemed necessary to support the stability of the Organization and the quality of the Organization's programs. The Organization must repay funds withdrawn, by the close of the next fiscal year following the year which they were withdrawn. The Organization's Board of Directors has determined that these funds will be used after the Organization's unrestricted cash reserves and Line of Credit have been exhausted.

Endowment net assets composition by type of fund as of June 30 is as follows:

	2013	2012
Donor-Restricted Endowment Funds	**$ 125,112**	$ 125,071

Changes in endowment net assets for the years ended June 30 are as follows:

	2013	2012
Endowment Net Assets, Beginning of Year	**$ 125,071**	$ 125,000
Interest Income	**41**	71
Endowment Net Assets, End of Year	**$ 125,112**	$ 125,071

Due to the nature of the permanently restricted reserve fund, the income earned from the permanently restricted net assets is also permanently restricted and is recorded as permanently restricted revenue.

NOTE 11—LEASE COMMITMENTS

In February, 2011, the Organization signed a new lease agreement expanding the Organization's office space by 4,200 square feet. The new lease supersedes the original lease which was due to expire November 30, 2011. The lease for office space provides for monthly rental payments increasing annually plus a pro rata share of operating costs. The Organization received $42,000 in tenant improvements and $42,933 in free rent. The lease expires on December 31, 2016. In lieu of a security deposit, the landlord accepted an irrevocable standby letter of credit. The value of the letter of credit was $40,000 at June 30, 2013, and $32,175 at June 30, 2012. The letter of credit was extended to June 28, 2014.

In September, 2012, the Organization entered into a noncancelable operating lease for equipment, which expires September, 2015. In May, 2013, the Organization entered into a noncancelable operating lease for equipment, with rent payments beginning in July, 2013, which expires June, 2017. The leases provide for base monthly rentals of $764 per month.

Rent expense for the year ended June 30, 2013 was $206,067, of which $1,962 was attributable to off-site storage. Rent expense for the year ended June 30, 2012 was $209,760, of which $2,672 was attributable to off-site storage. For purposes of the statements of functional expenses $203,050 is in occupancy and $3,017 is in equipment expense in 2013 and $209,760 is in occupancy in 2012.

Minimum rental commitments under noncancelable lease agreements are as follows:

Years Ended June 30	
2014	$ 227,635
2015	233,789
2016	236,926
2017	122,474
	$ 820,824

NOTE 12—EMPLOYEE BENEFIT PLAN

On January 1, 2004, the Organization adopted an employee benefit plan pursuant to Internal Revenue Code Section 401(k) where participants may make contributions from their gross pay up to a maximum allowed by law. On July 31, 2006, the plan was restated to allow the Organization to make discretionary profit sharing and/or discretionary matching contributions. The Organization made matching contributions of 100% of employee contributions up to 3% of the employee's gross compensation until February 2009. The Organization reinstated the matching contributions as of February 1, 2011. The Organization will match fifty cents on the dollar up to 3% of the participating employee's contribution, with a cap of $2,100. A vesting schedule has been established which is tied to an employee's tenure at the Organization. The Organization made contributions of $8,627 to the plan for the year ended June 30, 2013 and $9,036 for the year ended June 30, 2012.

NOTE 13—RELATED PARTY TRANSACTIONS

Contributions from officers, board members and companies whose directors are also board members amounted to $362,846 for the year ended June 30, 2013, including $4,692 of in-kind auction and raffle donations, and $365,833 for the year ended June 30, 2012, including $558 of in-kind auction and raffle donations. There were unconditional promises to give of $5,075 at June 30, 2013 and $10,950 at June 30, 2012 from members of the board of directors and their related companies or officers of the Organization.

The Organization, through the normal course of business, purchased certain catering services from a company owned by the wife of the executive director. The amounts paid to this company were $4,445 for the year ended June 30, 2013 and $7,542 for the year ended June 30, 2012.

NOTE 14—SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 18, 2013, the date which the financial statements were available to be issued. There were no subsequent events that require disclosure.